RENTIER STATES AND CONFLICT: NEW CONCEPTS, DIFFERENT PERSPECTIVES

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Since the 1970s, a curious phenomenon has emerged, suggesting that resource rich countries are "cursed" by their resources. Over the last couple of decades, researchers have argued that rentier countries are more likely to have educational underachievement, the Dutch disease, corruption, slower democratization, and conflict. Although current research has proven helpful and productive, some aspects still remain contested in both theoretical and empirical terms. This dissertation aims to fill certain lacunae in this literature. My dissertation examines how ordinary citizens turn into dissidents and then to rebels in rentier states. I build and test an innovative theoretical argument, which focuses on individuals' daily lives, and explains how policies by rentier governments discourage merit-based employment. This, in turn, yields a high level of grievance among segments of the population. I also develop a comprehensive theory that combines macro-level and micro-level explanations of conflict onset in rentier states. Finally, I analyze an important, but previously neglected aspect of civil wars in rentier states: conflict outcomes. I suggest that the existence of abundant natural resources would have a significant impact on conflict outcomes. Accordingly, government victory would be more likely, and negotiated settlement would be less likely in rentier countries compared to non-rentier countries.

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CHAPTER 1

INTRODUCTION

On December 28, 2017, protests erupted in the second largest city of Iran, Mashhad. Although the primary reason for the protests was the country's stunted economy, protests had taken on a political component, and citizens started to challenge both the incumbent Rouhani Government and the broader religious system. Since the first day of demonstrations, more than twenty people have been killed, and many more have been arrested. Yet, the protests have endured, and much is still uncertain about the outcomes of these protests. These changing dynamics in Iran bring several questions in mind; (1) What triggered these protests? (2) Would the Rouhani Government choose co-optation or coercion methods to overcome this problem? (3) Would these demonstrations escalate to a civil conflict? (4) What would be the outcome of this conflict? Questions abound, as consequences of this mass mobilization remain unknown.

This dissertation aims to contribute to the literature in a way that scholars and policy makers would find adequate answers to such questions. More specifically, I investigate conflict onset, duration, and outcome in resource-rich countries. A multitude of empirical research has tried to identify whether and how resource abundance affects countries' economies, politics, and social structures. While the debate has produced many useful studies, its overall findings have remained contradictory. With this dissertation, I add to the extant literature both by providing in-depth analyses to some highly contested questions and, by providing a more holistic approach to explain how conflicts emerge, endure, and end in resource-rich countries.

This dissertation analyzes half a century of data in order to produce a broad account of the politics and economics of natural resource exports in developing countries. More

specifically, this study focuses exclusively on oil and natural gas production, which is a common practice in the rentier state literature, as "… oil is the most important nonrenewable commodity resource in the world, accounting for the vast majority of commodity trade globally" (Smith, 2016, p. 216). Countries with significant oil wealth are more likely to have larger and well-funded governments compared to their counterparts without natural resources, which should – in theory - give them the ability to alleviate poverty and invest in development. However, most oil-rich countries do not end up with such favorable outcomes. In this dissertation, I first explain why this is the case. In the introduction, I provide an overview of the resource curse literature; I define what rentierism means, and how factors such as high volatility, dependence on oil revenue, and institutional underdevelopment would have profoundly negative political and economic consequences in developing countries. Then, in Chapter 2, I focus on internal political dynamics in rentier states. Although much ink has been spilled to explain the economic, political, and cultural changes in rentier states, there have been relatively few studies that attempt to provide in-depth analyses for factors affecting people's daily lives. This chapter contributes to the literature by providing that in-depth perspective. Most studies in the field have made use of datasets with country-years as the unit of analysis. In this chapter, I contribute to the literature by changing the unit of analysis from country, to individuals.

This chapter starts with the assumption that low-level public jobs would be used as a way of co-optation by rentier governments. As the majority of jobs in rentier states are under the control of the incumbent government, I argue that by offering low-level public jobs to the citizens, the government would be able to both keep the dissent at a low level, and sustain a

system of fear. I further argue that, these dynamics would also lead to lower levels of meritocracy and increased likelihood of in-migration from oil-poor regions to oil-rich regions. The consequences of in-migration would be higher amount of unemployment and underemployment, and ultimately, increased level of grievance.

This chapter's contribution to the literature is twofold. First, it suggests that rentier governments use both high-level and low-level public jobs as a way of co-optation, which leads to an employment culture away from meritocracy. This is especially important given that low-level public jobs and the role of meritocracy have never been discussed in the rentier literature before. Second, this chapter maintains that ordinary citizens try to achieve better life standards by migrating from oil-poor regions to oil-rich regions. However, contrary to their expectations, they encounter unemployment and underemployment, which increases their grievance. These assumptions are new to the literature, as in-migration and its consequences in rentier states have gone largely unnoticed in the literature.

In Chapter 3, the theory developed in Chapter 2 is tested using statistical analysis both at cross-national level and subnational level. At cross-national level, I find that public job appointments in rentier states are less merit-based compared to public job appointments in non-rentier states. At the subnational level, I test the role of unemployment and underemployment on individuals' grievances in two large oil-producing countries; Nigeria and Mexico, and find that individuals' grievances in resource-rich countries are indeed shaped by job prospects.

In Chapter 4, I provide a comprehensive theory that explains the likelihood of conflict in rentier states. Current literature suggests opposing logics: while some scholars argue that

conflict is more likely in resource-rich countries, some others posit that these countries have more durable regimes. I build on this momentum, and argue that previous research has neglected to explore the combined effect of micro-level (individual-level) and macro-level (systemic-level) factors that lead to conflict in such countries.

This chapter first explains what macro-level and micro-level dynamics mean, and how they affect conflict onset in rentier states. Then, factors influencing both of these dynamics are explained in great detail, which is followed by two hypotheses suggesting that (1) in rentier countries, likelihood of conflict initiation increases as repression increases and state's military power decreases, and (2) in rentier states, likelihood of conflict initiation increases as economy worsens and state's military power decreases.

Chapter 4 contributes to the literature in several ways. First, it theoretically and statistically proves that conflict onset depends on different dynamics in rentier countries compared to non-rentier countries. In other words, it is suggested that the path to conflict in countries with abundant natural resources is substantially different than the one in countries without these resources. Second, as mentioned earlier, this chapter provides a more complete theory of conflict in rentier countries. The problem with the current literature is that conflict, in and of itself, is a highly convoluted issue, and scholars try to explain this complex concept with limited theories. In this chapter, I provide a more comprehensive approach, which would extend our understanding of conflict in rentier states. Third, I define "state capacity" in the context of rentierism. Although state capacity has been discussed extensively both in rentier and non-rentier literatures, there has not been a consensus on the definition of state capacity and its impact on the likelihood of conflict in resource-rich countries. In this chapter, by using

the idea of the "weak state syndrome", I argue that military power should be the key determinant of state capacity in rentier countries. Lastly, following Bell, Cingranelli, Murdie and Caglayan's (2013) approach, I point out a subtle, and yet critical distinction between repression and military capacity. I suggest that this distinction plays an important role in defining the likelihood of conflict in rentier states.

Chapter 5 provides empirical analysis for Chapter 4. Using a binary logit model with several interaction terms in addition to the time since the last conflict with three cubic splines, I find that conflict onset in rentier states can only be explained by considering individual-level and systemic-level explanations together. The empirical results provided in this chapter support the implication of the theory developed in Chapter 4. In other words, the results suggest that conflict onsets in rentier countries can only be explained by considering the combined effect of factors such as GDP per capita, state repression, and military power.

Chapter 6 focuses on conflict outcomes in rentier countries. The theory developed in this chapter starts with the assumption that resource-rich countries are substantially different than resource-poor countries in many aspects. Existing literature suggests that rentier countries are more corrupt, less democratic, and more conflict prone, and provides two main reasons for these negative outcomes; (1) low institutional quality, (2) absence of a taxation system. I build on this momentum, and argue that these two characteristics of rentier states would also lead to different conflict outcomes. Accordingly, conflicts in rentier states are more likely to end with government victory and less likely to end with negotiated settlements.

The contribution of this chapter is threefold. First, it explains why scholars should expect different conflict outcomes in rentier states compared to non-rentier states. Second, it

contributes to both conflict literature, and conflict management literature as it argues that negotiated settlements would be less likely in rentier states compared to non-rentier states. Third, it does so using influential concepts in the bargaining literature; such as information asymmetries, commitment problems, and issue indivisibilities.

The theoretical propositions in Chapter 6 are tested in the following chapter, Chapter 7. In this chapter, I use the event history framework of competing risks, and find that conflicts are, indeed, more likely to end with government victory in rentier countries compared to non-rentier countries.

Lastly, in Chapter 8, I present my concluding remarks and future research recommendations. I argue that despite the proliferating research interest, the role of abundant natural resources on conflict onset, duration, and outcome requires further exploration. Scholars should invest more in providing detailed analyses, and introducing new datasets, which focus on resource-rich countries at individual-level.

In the remainder of this section, I explain the concept of rentierism, and list the negative consequences of resource abundance.

1.1 Rentierism

In the 1970s, oil-rich countries started to nationalize their oil production, and demanded control over their natural resources, which was a turning point for them. The abundant revenue from oil gave rise to great hopes, prosperity, and autonomy. However, less than a decade later, these countries started to experience severe financial and political breakdowns. Such unexpected results of natural resources have created a curious phenomenon, the “Resource

Curse". Scholars have used this term to describe a paradox in which countries with large endowments of natural resources often perform worse both in economic and political terms compared to the countries without such resources.

Scholars have also acknowledged that not every country that has abundant natural resources becomes a rentier state. As one example, Norway is a major oil producer, and the country stays at the top of the United Nation's Human Development Index, which is a measure that ranks countries' income, health and education levels. Similarly, the United States, Canada, and Australia are oil-exporting countries, which have successfully used the oil revenue in their favor. The literature has suggested two factors that lead to this variation in the effects of resource wealth; (1) quality of institutions, (2) the lack of a taxation system.

The general idea about the quality of institutions is that if the country has strong institutions, it would easily channel the revenue into the productive economy. If the country does not have such institutions, however, it does not have the capacity to benefit these resources (Karl, 1997; Mehlum, Moene & Torvik, 2006; Humphreys, 2005). Scores of experts have argued that public sector lacks corporate cohesiveness, and encourages rent-seeking behavior in rentier states. Citizens in such countries usually consider the state as a "honey pot", which creates a "grabber friendly" environment.

Another common argument in the rentier state literature is that, rentier governments tend to be more autonomous compared to their non-rentier counterparts. As states derive sufficient revenue from natural resources, they do not need to rely on the tax money coming from its citizens. This is a challenge for rentier states, because it results in weak linkages between government and its citizens. From the citizens' perspective, as they are not taxed, they

are less informed about the government's activities, which creates an information problem. From the government's perspective, such governments become less accountable and more independent compared to the ones that need the tax revenue.

Overall, these two factors - weak institutions and the lack of a taxation system - lead to several negative consequences in rentier states. Below, these negative outcomes are explained in more detail.

1.2 Negative Effects of Rentierism

1.2.1 The Dutch Disease

By definition, the Dutch disease is a process in which new discoveries and improvements in one economic sector leads to distress in others. In the context of rentier states, as the oil sector gains importance, other sectors - such as agriculture and manufacturing – become less profitable, which eventually leads to abandoning these alternative sectors (Karl, 1997; Sachs & Warner, 2001). As the value of natural resource exports increases, the real exchange rate in the country increases, which makes it cheaper to import non-natural resource commodities compared to producing them domestically. As a consequence, domestic resources and investments are shifted from agricultural and manufactured goods to the natural resource sector. This is a real economic problem, because these countries' ability to develop further depends on their capabilities to create alternative sectors in the economy.

As Karl (1997) contends, the most important determinant for these countries is the leading sector. If these countries can create a new productive base that is not dependent on oil, they may sustain their economy not only during boom years, but also during bust years. Karl

(1997) gives Venezuela as the negative example, and suggests that "Venezuela, like many of its OPEC partners, could boast of no civil service, no independent central bank, and no impartial judiciary" (Karl, 1997, p.74), whereas he gives Indonesia as the positive example, and suggests that Indonesia had a better outcome compared to other oil-rich countries, because "[i]t had better control over its expenditures; pursued a development strategy more balanced among physical infrastructure, education, agricultural development, and capital-intensive industry; directed a higher proportion of spending toward rural areas; and accrued less foreign debt" (Karl, 1997, p.191). Similarly, Humphreys, Sachs and Stiglitz (2007) compare Indonesia and Nigeria and suggest that "Some 30 years ago, Indonesia and Nigeria had comparable per capita incomes and heavy dependencies on oil sales. Yet today, Indonesia's per capita income is four times that of Nigeria" (Humphreys et al., 2007, p.1). These examples prove that the Dutch disease is a real challenge for these countries.

1.2.2 High Volatility

Another economic problem that arises because of natural resources is high volatility. Humphrehys et al. (2007) lists three reasons for high volatility; (a) the variation in extraction rates, (b) the variability of the timing of payments by oil corporations, and (c) fluctuations in the value of the natural resource. Based on these three factors, oil price remains to be twice as volatile compared to other commodities (Karl, 2007).

The result of high volatility is detrimental for rentier states, because it prevents the rentier government to have budgetary discipline and control of finances. This, in turn, creates uncertainty about the future, and discourages private-sector investment. Moreover, volatility is

more problematic for low-income states compared to high-income states, because low-income states have less-sophisticated economies, which creates even more risks for investors (Ross, 2012).

Although countries can smooth the volatility by implementing countercyclical policies – that is setting aside some revenue during boom years, and using it during bust years - and by investing in more sustainable assets –such as education or infrastructure - these policies are rarely implemented by rentier governments, which makes volatility an acute problem for these countries.

1.2.3 Slower Democratization:

A large body of scholarship finds a negative relationship between natural resources and democracy. Although oil has not always been an obstacle that stays in the way of democracy, starting from the 1970s, the democracy gap between oil-rich and oil-poor countries has grown wider. Until the 1970s, oil-rich countries resembled oil-poor countries in terms of democracy. However, in the late 1970s, a wave of democracy has brought freedom to many countries except for the ones with abundant natural resources.

According to Ross (2001), "oil hinders democracy" through three mechanisms; the 'rentier-effect', the 'repression-effect', and the 'modernization-effect'. The idea of the rentier effect is that when governments derive enough revenue from oil, they do not tax their citizens heavily, and citizens in return do not ask for accountability and representation. The repression effect suggests that rentier governments' use of repression help them stay in power, and prevent the country from becoming more democratized. The modernization effect maintains

that if the country does not produce social and cultural changes required for democracy, then the result is a non-democratic society. After Ross, other scholars in the field confirmed his findings (Bellin, 2004; Jensen & Wantchekon, 2005; Tsui, 2010; Ulferder, 2007). Although some scholars have challenged this argument (Haber & Menaldo, 2011), it is now widely recognized that existence of natural resources hinders democracy.

1.2.4 Corruption

Corruption is considered to be a serious problem for resource-rich countries (Arezki & Bruckner, 2011; Bhattacharyya & Hodler, 2010; Humphreys et al., 2007; Le Billon, 2003; Shaxson, 2007). By definition, political corruption is "… transactions between public and private actors through which collective goods are illegitimately converted into private payoffs" (Fjelde, 2009, p. 202). It is such a critical issue that according to Sala-i-Martin & Subramanian (2003), the main problem with Nigeria is not the Dutch disease, but high level of corruption. The authors suggest that, in Nigeria the government gained too much control over economic activity, which had created a system of patronage. Indeed, the numbers prove that although Nigerian government has gained so much revenue from oil, the country remains to be one of the poorest countries in the world. Since its independence, the Nigerian government has accrued $350 billion in oil revenues, and yet the country's poverty rate has increased from 36% to 70% between the years 1970 and 2000 (Weithal & Luong, 2006).

1.2.5 Repression

Repression is a coercive method that has been used by governments as a tool against

domestic threats (Davenport, 1995; Franklin, 2009; Moore, 2000; Shellman, 2006). This concept has generated much intellectual debate. A group of scholars investigate the relationship between repression and domestic threat (Lichbach, 1987; Moore, 2000; Rasler, 1996; Young, 2012). Another group's contention is that autocratic regimes repress more often and more severely compared to democratic ones (Davenport, 1995, 2004, 2007; Davenport & Armstrong, 2004; Poe & Tate, 1994). Still others consider the influence of context on repression; such as the role of foreign economic penetration (Richards, Gelleny & Sacko, 2001), preferential trade agreements (Hafner-Burton, 2005), or the World Bank's Structural Adjustment Agreements (Abouharb & Cingranelli, 2006).

Scholars have also discussed the role of repression in rentier states. Demeritt and Young (2013), Bueno de Mesquita and Smith (2009), and Smith (2008) argue that leaders in resource rich countries rely less on citizens for income, therefore, they are more likely to repress. When the government has to depend on the tax revenue, its propensity to repress decreases. When, it does not have to depend on that, then it is easier to repress. Conrad and Demeritt (2012) build on this momentum, and suggest that "…an executive's propensity to use violence is a function of the extent to which he is dependent on his citizenry to stay in power" (p. 106), and this dependency can be calculated depending on two factors; dependency at the bank, and at the ballot box. Dependency at the bank is related with the government's reliance on natural resources for income instead of tax revenues, which is explained above. Dependency at the ballot box is related with the regime type. Although decreased reliance to the tax revenue would increase the possibility of repression in rentier states, this effect would be constrained by the political regime of the country; if the country is democratic, domestic institutions would

make repression a costly policy. If the country is not democratic, however, then repression would remain as an appealing option for the rentier government.

1.2.6 Educational Underachievement

Dependence on oil income leads to educational underachievement. In their seminal book, Beblawi and Luciani (1987) point out the relationship between oil income and the lack of interest in formal learning. The authors are the first to introduce the term “rentier mentality”, which refers to the disjunction between effort and reward. The idea is that the rentier government does not need the revenue from its citizens. Instead, as a way of co-optation, it distributes a fraction of oil revenue among the population, which reduces incentives for citizens to get educated, to engage in entrepreneurship, and to improve their skills. Direct access to easy money reinforces a rentier mentality; the population views the government as the source of revenue, and individuals lose their motivation to improve themselves. This research has been followed with Amuzegar (1999), El-Ghonemy (1998), Mazawi (1999), and Minnis (2006), which all found a correlation between oil income and low level of education.

1.2.7 Civil Conflicts

Since the 1990s, there has been a burgeoning of information on the causes and consequences of civil conflicts. Scholars have agreed on certain facts. First, in the post-World War II era, the majority of conflicts have been intrastate conflicts, and not interstate conflicts: “there have been four to five times as many civil wars as interstate wars during this time period” (Mason & Mitchell, 2016, p. 1). Second, since 1945, civil conflicts have usually occurred

in the Third Word nations; Asia, Africa, and Latin America. Third, for some countries, civil conflict has become a chronic problem; almost half of the nations that have experienced civil conflicts since 1945 have experienced another war. Fourth, since the mid-1990s, the number of civil conflicts has decreased (Mason & Mitchell, 2016). Lastly, there are two main types of civil conflicts; separatist conflicts, and governmental conflicts. While separatist conflicts are fought over a regional independence, governmental conflicts are fought over the control of the whole country (Ross, 2012).

Scholars have also investigated the role of natural resources on conflict onset. A plethora of theoretical and empirical studies argue that existence of natural resources would increase instability, and cause civil conflicts in oil-rich countries (Collier & Hoeffler, 1998, 2004; Collier, Hoeffler & Rohner, 2009; Fearon, 2005; Gregory Gause III, 2010; Humphreys, 2005; Koubi, Spilker, Bohmelt & Bernauer, 2014; Ross, 2006; Sorens, 2011; Weinstein, 2005). As Ross (2012) suggests, since the early 1990s, oil-rich countries have been 50% more conflict-prone compared to oil-poor countries.

Different causal mechanisms that lead to civil conflicts in such countries have been provided in the literature. For example, the fact that oil produces such high rents can be the main motivation of conflict; In the Republic of Congo, a French oil company, Elf-Aquitaine provided $150 million funding to the opposition group, so that the group would take over the government, and the company would receive more favorable treatment under the new regime. (Karl, 2007) “The payment financed a four-month war that resulted in 10,000 dead and the destruction of parts of Brazzaville” (Karl, 2007, p.28).

In some other cases, the conflict occurs through more indirect mechanisms. For instance, the rebel group's objective may be a small-scale violence, and not an outright military victory (Buhaug, Gates & Lujala., 2009; DeRouen & Sobek, 2004). After all, being a rebel is a paying job, and maybe the best available economic option (Colgan, 2015), which motivates the rebels to fight the government despite the fact that rebel victory is very unlikely. The theoretical foundation of this argument is rooted in the "greed vs. grievance" discussion. Coined by Collier & Hoeffler (1998, 2004), the "greed" argument of conflict maintains that rebels would use conflict as a financing strategy, and as long as they can obtain adequate funding, they would continue to fight. Such rebels consider conflict as business (Collier et al., 2004).

Humphreys (2005), on the other hand, argues that the greed explanation is one of many mechanisms that lead to conflict in rentier countries. He provides probably the most comprehensive list of these mechanisms. The first one is the greedy rebels mechanism, which has three variants; rebels in quasi-criminal activities, rebels that see natural resources as a "prize", and resource concentration in a particular region. The second one is the greedy outsiders mechanism, which suggests that existence of natural resources may be an incentive for war not for the rebel groups, but for third parties such as states and corporations. Third one is the grievance mechanism, which contains at least four variants; grievance because of transitory inequality, grievance based on trade shocks, grievance because of forced migration, and grievance based on unjust distribution. The next mechanism is the feasibility mechanism, which suggests that natural resources can provide necessary funding for rebellions that have been started for other reasons. The other mechanism is the weak states mechanism, which has

two variants; the first variant focuses on the society side of weak society-state relations, the other variant focuses on the state side of weak society-state relations. Finally, the last mechanism is the sparse networks mechanism, which is related with the impact of natural resources on daily economic activities. Humphreys posit that, these six possible options would play a role in explaining the conflict in rentier states, so it would be very limited to say that civil war in rentier states is only because of greed. Still, the list of mechanisms provided here are not exhaustive. Overall, through various mechanisms, conflict has been argued to be more likely in rentier states compared to non-rentier states.

Nevertheless, another line of research supports the opposite view. This emerging literature suggests that oil-rich countries create more durable regimes (Colgan, 2015; Morrison, 2010; Ozekin & Arioz, 2014; Smith, 2004, 2006). For example, according to Smith (2004) "…durable regimes in oil-rich states are not the outliers that both rentier state and resource curse theory have made them out to be" (p. 242). Oil wealth creates a very durable regime, because leaders in many of these states invest on the mechanism that could save them in hard times. Similarly, Colgan (2015) argues that on the one hand "petrostates experience more frequent civil wars than non-petrostates. On the other hand, petrostates have more robust and long-lasting autocratic regimes" (Colgan, 2015, p. 1). His findings suggest that despite frequent conflicts, rebels do not usually succeed in overthrowing a petrostate regime or forcing a regime transition. Therefore, by looking at the existing literature, "it is fair to state that evidence on whether or not – and especially how – natural resources and intrastate conflict are systematically linked remains fairly contested" (Basedau & Lay, 2009, p. 762).

Subsequent research has sought different explanations for the relationship between natural resources and conflict onset. Some research examines the role of lootable versus non-lootable resources (Le Billon, 2001; Lujala, 2009, 2010; Lujala, Gleditsch & Gilmore, 2005). Some others have tried to identify whether physical proximity would matter (Buhaug & Lujala, 2005; Buhaug & Rod, 2006; Le Billon, 2005). Still others have used a more disaggregated approach by dividing countries into geographic grid cells (Buhaug & Gates, 2002; Lujala, Rod & Thieme, 2007). Despite the blossoming of a vast literature on the topic, the resource-conflict nexus remains undertheorized and undertested.

To sum up, abundance of natural resources has been on the scholarly community's agenda, especially since the 1970s. Scholars have investigated the role of resources on many aspects of governance; such as fiscal and political stability, the level of corruption and repression, and the likelihood of conflict. Although useful, the literature lacks the ability to explain the impact of oil and natural gas on state capacity, and falls short to describe the role of primary products on civil conflict onset, duration, and outcome. Below, I introduce each of these problems, and discuss how scholars should tackle these issues.

CHAPTER 2

REGIONAL DYNAMICS IN RENTIER STATES: THE STRUGGLE BETWEEN THE HAVES AND THE HAVE-NOTS

2.1 Introduction

While government officials and multinational corporations were celebrating the 50th anniversary of the beginning of commercial oil exploration with a conference in 2008 at Abuja Nigeria, Chris - a middle-aged carpenter and father of four - said:

> They celebrate oil exploration every day in Abuja, but what do we have to show for it? Absolute neglect, environmental devastation, misery, poverty, unemployment, no roads, no hospitals, no schools. What we celebrate every day is our power to resist and one day possibly put a final stop to this exploitation of our natural resources without our consent. (Adunbi, 2015, p. 27)

These sentences would come as no surprise, as the gap between ordinary citizens and the elite of Nigeria has been expanding since the country became a prominent oil-exporting nation. This story applies to all non-democratic and democratizing oil-rich countries.

In this study, I seek to explain some of the negative consequences of oil exploitation in rentier states, especially the role of economy on individuals' grievances. I suggest that rentier governments use both high-level and low-level public jobs as a way of co-optation in order to secure their political survival, which leads to less merit-based recruitment in such countries. I further suggest that the gap between the haves and the have-nots in oil rich countries motivates individuals to migrate from oil-poor regions to oil-rich regions, with the hopes of finding better job opportunities, and better life standards. However, saturated job market increases individuals' grievances.

My study contributes to the existing literature in three ways. First and foremost, I provide both empirical and theoretical explanations to certain concepts that have been discussed, and yet stayed ambiguous in the rentier state literature such as corruption and grievance. Second, I call scholars' attention on a concept that has not been discussed in the context of rentier states; meritocracy. Despite its importance, scholars have neglected to study the role of abundant resources on merit-based recruitments. First of its kind, this article fills that gap by providing an analysis of how rentier states are less likely to establish merit-based recruitment strategies compared to non-rentier states. Lastly, I take a step in addressing the lack of attention devoted to disaggregated information in the rentier state literature by utilizing both cross-national data for all rentier countries, and subnational data from two oil-producing countries, Nigeria and Mexico.

2.2 Theory and Literature Review

Until the 1970s, it was believed that having natural resources would benefit developing countries. It would help them invest in necessary infrastructure, and improve their political and cultural well-being. However, since the nationalization of oil industries in the 1970s, the "resource curse theory" has been on scholars' agenda. Before the 1970s, the oil industry was in the hands of international oil companies. Local governments could collect only a fraction of the oil rents, and they did not have the control over the amount of oil that was extracted from their soil. In the 1970s, however, all oil-exporting countries in the developing world nationalized their oil industries, and gained control over their own oil economy. This change in the ownership had serious consequences.

The resource-curse theory suggests that countries that rely on oil export would deal with slower democratization (Bellin, 2004; Jensen & Wantchekon, 2005; Ross, 2001), corruption (Arezki & Bruckner, 2011; Shaxson, 2007), educational underachievement (Beblawi & Luciani, 1987; Minnis, 2006), repression (Bueno de Mesquita & Smith, 2009; Demeritt & Young, 2013; Smith, 2008), conflict (Collier & Hoeffler, 1998; Fearon, 2005; Sorens, 2011), and the Dutch disease (Hasanov, 2013; Karl, 1997). This is, of course, not because of the existence of oil *per se*, but because of the structure of institutions in these countries. For example, while Norway benefits its North Sea petroleum resources, countries like Nigeria and Angola deal with the negative effects of rentierism. The literature suggests that countries with good institutions become prosperous "because of, rather than in spite of, their resources", whereas countries without good institutions suffer the consequences (Mehlum et al., 2006).

It has also been argued that leaders in rentier countries would choose to exploit the oil income when they are in power, as the institutional structure is not developed enough to guarantee that they would sustain the revenue inflow in the future (Humphreys et al., 2007). Government officials do not only focus on the oil revenue; they also try to consolidate power in other areas of economy (Sala-i Martin & Subramanian, 2003). With excessive resources in hand, the primary aim of the incumbent government would be to gain power as soon as possible, so that they would not feel threatened by other politicians, or by citizens. In order to do that, the government usually uses two types of tools; coercion, which means "forcefully [marginalizing] or [eliminating] opponents, or co-optation, which means "[transforming opponents into supporters through the distribution of spoils" (Fjelde, 2010, p. 198). Rentier states are known to use both of these methods depending on their needs. For instance, a prominent set of

literature suggests that rentier states are more likely to use repression compared to non-rentier countries (Bueno de Mesquita & Smith, 2009; Demeritt & Young, 2013; Smith, 2008). It is also equally likely for the rentier government to use different co-optation techniques to stay in power. For example, when in power, Saddam Hussein is known to have flown from town to town and handed out cash to individuals who came to meet him (Colgan, 2013). As the purpose of the present study is to explain the role of job opportunities as a way of co-optation, I focus on co-optation. Coercive methods in rentier states, although extremely important, are beyond the scope of this article.

2.2.1 Public Jobs as a Way of Co-optation in Rentier States

Although most scholars agree that corruption is higher in rentier states compared to non-rentier states (Arezki & Bruckner, 2011; Bhattacharyya & Hodler, 2010; Humphreys et al., 2007; Le Billon, 2003; Shaxson, 2007;), different mechanisms of corruption in rentier states still remain unknown. This study takes one step in addressing this lacuna by examining different types of public jobs as a method of corruption.

The theoretical foundation of this argument is rooted in the idea of the Dutch disease. By definition, the Dutch disease is "the process that causes a boom in a country's natural resource sector to produce a decline in its manufacturing and agricultural sectors" (Ross, 2012, p.1147). This concept was developed in the 1970s, when the Dutch noticed that following the discovery of natural gas in the North Sea, their manufacturing sector suddenly started to perform more poorly (Humphreys et al., 2007). The Dutch disease is a serious concern for rentier states as their ability to develop themselves further depends highly on their capacity to

create alternative sectors in the economy. As rentier states lack the ability of creating alternative sectors, their job markets are also shaped differently compared to non-rentier countries.

As Karl (2007) suggests, there are three major types of jobs in rentier states; oil-related, public sector, and private services. Oil-related jobs are very limited as oil is the world's most capital-intensive industry. Plus, these jobs require special skills, and technological know-how. Thus, foreigners usually hold these positions, which keeps the majority uninformed. Private services are also mostly oil-related, and they are not available to the masses. This suggests that public jobs are the only viable options for the majority of citizens in these countries. But, how does the government use public jobs as a tool of corruption?

The relationship between different levels of public jobs and corruption is based on the idea of Bueno de Mesquita's (1999, 2000, 2004, 2005) selectorate theory. According to the selectorate theory, leaders are self-interested individuals who want to stay in power, and the longevity of their power depends on the size of the selectorate and the winning coalition. The size of these two groups also determines how much leaders should pay for the loyalty. While private goods are divided among the members of the winning coalition, public goods are the goods provided to the masses. The same logic applies to rentier states. Leaders in the government give public goods to masses, and private goods to the winning coalition. My contention is that while high-level public jobs are the private goods that are provided to the small winning coalition, low-level public jobs are made available to the masses.

It has already been argued in the literature that leaders use highly paid jobs as a way to secure their place (Fjelde, 2009; Robinson, Torvik & Verdier, 2006). What is missing in the

literature is the link between low-level public jobs, and corruption; how the government uses the lower-level public jobs as a tool. Here, I suggest that rentier governments use less-paid, low-level public jobs as a way to control the masses. As the economy becomes more oil-dependent, and as the Dutch disease begins to bias against agriculture and manufacturing jobs, citizens are left with public sector positions as their only option. As one example, in their study on labor market prospects for university graduates in Nigeria, Dabalen, Oni, and Adekola (2001) find that "[t]he public sector provides about 60 percent of formal sector employment" (p. 150). This puts the government in a powerful position, as citizens are desperate to keep the only type of job that was offered in the country. This is indeed an effective strategy for the government to use co-optation. Not only that the government keeps the dissent at a low level by providing jobs to its citizens, but it also creates a system of fear by using these public jobs as a way to control its citizens.

The same logic also suggests that the government is not motivated to implement merit in its recruitment process. By definition, meritocracy is a social system in which individuals can advance based on their capabilities, and not because of reasons related with their family ties, wealth, or social background (Bellows, 2009; Castilla & Benard, 2010; Kim & Choi, 2017; Poocharoen & Brillantes, 2013). Based on the idea of merit, meritocratic societies should be able to provide equal opportunity to every citizen in a country (Lipsey, 2014; Martin, Dymock, Billet & Johnson al., 2014; Talib & Fitzgerald, 2015). However, as mentioned earlier, rentier governments grow faster compared to non-rentier governments because of excessive revenue coming from resources, and the public sector constitutes the majority of available jobs. As such,

the rentier government is neither motivated nor forced to use a meritocratic recruitment system. This is the first hypothesis to be tested in this study.[1]

> *Hypothesis 1:* A rise in the value of oil and gas production will reduce merit-based job appointments.

The first hypothesis makes the distinction between the employment structure in rentier states and in non-rentier states, which is a significant contribution to the literature. Although there has been some discussion in terms of merit-based employment in rentier states (Humphreys et al., 2007; Karl, 2007), and a case study that explains how the employment structure in Venezuela could not switch from politicized bureaucracies to meritocratic bureaucracies with the introduction of democracy (Cornell & Lapuente, 2014) to my knowledge, this is the first scholarly attempt to actually test these claims in a large-N setting. Given that the scholarly community has questioned the role of institutions (Gurses, 2011; Mehlum et al., 2006), the level of social and institutional trust (Ishiyama, Martinez & Ozsut, 2018), and corruption (Sala-i-Martin & Subramanian, 2003; Shaxson, 2007) in rentier states, it is rather surprising that the level of meritocracy in such societies has not been studied before.

2.2.2 Employment and Grievance in Rentier States:

Another important aspect of job opportunities in rentier states is job locations; oil-related jobs are located only in oil-rich regions, whereas public jobs are all over the country. While private sector jobs are primarily motivated with profit, public sector jobs have to respond

[1] As I test the level of meritocracy in rentier states, the primary objection would be the possibility that less corrupt countries may automatically be more merit-based, which would lead to an endogeneity problem. This problem was previously addressed in the literature by Dahlstrom et al. (2012), and the authors have found that corruption and meritocracy are not the same.

to the needs of all citizens. Therefore, while private sector jobs focus on oil-related opportunities in rentier states, public jobs focus on services such as postal services, public transportation, waste management, education, etc. This makes public jobs more spread throughout the country compared to private jobs.

This labor structure also makes in-migration a viable option. I assume that, just like government officials, citizens are also rational actors, and in their decision-making, they use cost-benefit calculations. If the expected utility of staying in an oil-poor region is higher compared to the expected utility of moving to an oil-rich region, they will choose to stay. On the flip side, if the expected utility of migrating to an oil-rich region is higher compared to the expected utility of staying in the oil-poor region, they will migrate. Given this line of reasoning, it follows that citizens in oil-poor regions would choose to migrate; people in oil-poor regions in a rentier state create grievances as they do not have similar opportunities that people in oil-rich regions have. They see the gap between oil-rich regions and oil-poor regions in terms of job opportunities and life standards. Even if they would not be sure whether or how they would get similar opportunities, they would be willing to try, which would lead to an in-migration from oil poor regions to oil-rich regions in rentier states.

Nevertheless, in-migration would not be a solution to these citizens' situation. In fact, it would worsen conditions both in terms of job prospects and grievances. With increased population in oil-rich regions, already limited job opportunities will be even more saturated, which will cause unemployment and underemployment. This will increase the level of grievance in the society even more, both in the oil rich region and in the oil-poor region. Based on these arguments, I postulate the second hypothesis:

Hypothesis 2: In an oil-rich country, individuals' grievances are conditional upon job opportunities.

The second hypothesis contributes to the current literature by offering an employment-based motive of grievance in rentier states. The idea of grievance as one of the causes to conflict has been exclusively discussed in the literature. Gurr (1968) defines relative deprivation as actors' perception of discrepancy between their value expectations and their environment's apparent value capabilities, and he further argues that the feeling of relative deprivation is the cause of grievances, which eventually leads to aggression. Although the idea of relative deprivation, and the role of grievance on conflicts have produced useful studies, most of the contemporary civil war literature has moved beyond the grievance discussion. One reason for this departure is that it has been argued that grievance, by itself, is not enough for a rational individual to fight (Aya, 1979; Lichbach, 1995). Another reason is that scholars have come up with other explanations for conflict such as greed (Collier & Hoeffler, 2004). The role of natural resources on individuals' grievance has also been discussed in the literature. For example Humphreys (2005) lists grievance as one of the six possible causal mechanisms for conflict in rentier states. He also provides four variants; grievance because of transitory inequality, grievance based on trade shocks, grievance because of forced migration, and grievance based on unjust distribution. Similarly, Østby, Nordås, and Rød (2009), and Østby, Tadjoeddin, Murshed, and Strand (2011) discuss the role of grievance in terms of horizontal inequality, and study the role of inequality on conflict.

Although useful, these studies stay limited, and further research is needed. This study is an attempt to fill this lacuna. Moreover, by investigating the causal mechanisms of grievance at a disaggregated level, this study also extends the rentier state literature in another way. As

Koubi et al. (2014) suggest, more disaggregated analysis is required in order to overcome empirical and theoretical obstacles in the literature, and one way to do that is focusing on individual and household-level concerns. As the authors argue, "… future research should … look at the individual and household levels. After all, individuals are affected by resource scarcity or abundance" (p. 238). This is what this study aims to achieve.

In the following chapter, I test the robustness of the two hypotheses created in this chapter both at national level and subnational level. While the relationship between the existence of natural resources and the level of meritocracy is tested at the national level, the link between the level of grievance and job availability is tested at the subnational level.

CHAPTER 3

EMPIRICAL ANALYSIS OF REGIONAL DYNAMICS IN RENTIER STATES: THE STRUGGLE BETWEEN THE HAVES AND THE HAVE-NOTS

3.1 Research Design

In order to test the hypotheses developed in Chapter 2, I employ data at both cross-national and subnational level. While Hypothesis 1 is tested at the global level, comparing rentier states with non-rentier states, the second hypothesis is tested at the subnational level, investigating individuals' grievances. For Hypothesis 1, I use a time-series cross-sectional (TSCS) research design. The temporal domain of this hypothesis covers the period from 1996 to 2002. Very small countries are left out in order not to drive the results.[2]

The key independent variable for the first hypothesis is *Fuel_Rents_Per_Capita*. Operationalization of rentier states is a highly contested issue. As Smith (2015) suggests, there are "at least a dozen different means of measuring the effect of oil income as an independent variable in quantitative studies" (Smith, 2015, p. 6). A common practice, for instance, is to measure it by using the ratio of resource exports to GDP (Collier & Hoeffler, 1998, 2004; Elbadawi & Sambanis, 2002; Fearon & Laitin, 2003). However, for this study, I follow Ross (2008), and define the key independent variable as a country's total oil and gas rents, divided by the midyear population, which is measured in constant 2000 dollars. Oil rents are calculated by "…taking the total value of each country's annual oil and natural gas production, and

[2] As I use Ross (2008) data for oil & gas, I use the same set of countries he uses in his analyses.

subtracting the country-specific extraction costs, including the cost of capital" (Ross, 2008, p. 111).

In the first hypothesis, I argue that merit-based public job appointments are less likely in rentier-states compared to non-rentier states. The idea is that, as the government holds a majority of the power in terms of job opportunities, government leaders would use this for their advantage, and keep citizens under control, which suggests that employment decisions are made not based on the level of candidates' skills, but based on the government's favors. As such, the dependent variable for Hypothesis 1 is the level of merit in a country.

Unfortunately, there is a profound lack of available data in order to measure meritocracy. To my knowledge, there are only three datasets where meritocracy is measured. The first is Peter Evans and James Rauch's (1999) work on bureaucracy in 35 developing or semi-industrialized countries. The second is collected by the Quality of Government Institute on two different occasions (Dahlstrom et al., 2015; Teorell, Dahlstrom & Dahlberg, 2011), and the last one is Charron, Dahlstrom and Lapuente's (2016) data on meritocracy, which focus specifically on European Countries at national and subnational level. Although useful, these datasets have their weaknesses. While the first two datasets are time invariant, the last dataset focuses exclusively on European countries. As such, I use the best available proxy for meritocracy, which is the Government Effectiveness measure from the World Banks' The Worldwide Governance Indicators (WGI) project. The WGI "…[is] a long-standing research project to develop cross-country indicators of governance" (Kaufmann, Kraay & Mastruzzi, 2010, p. 2). The data consist of six composite indicators of governance for 200 countries between 1996-2015 (Voice and Accountability, Political Stability and Absence of

Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption). The Government Effectiveness measure "[r]eflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies" (Kaufman et al., 2010, p. 4). This measure ranges from -2.5 (weak) and 2.5 (strong). As the dependent variable for this hypothesis is a continuous variable, I use Ordinary Least-Squares (OLS) as my statistical method. Moreover, one central concern with the TSCS data is heterogeneity across units. In order to eliminate this possibility, following Demeritt (2012), I use robust standard errors clustered by country.

Additionally, I employ a number of control variables. First and foremost, previous scholarship has indicated that regime type and recruitment strategies are connected (Evans, 1995; Geddes, 1994; Lewis, 2008). Therefore, I control for the effect of regime type on recruitment by using Polity IV data (Marshall & Jaggers, 2002). Second, the number of candidates for a position would have some impact on the level of meritocracy. Therefore, I control for *Working Age* (Ross, 2008), which is the fraction of the population between ages of 15 and 64. Moreover, the amount of overall revenue of the country would play a role to determine available job opportunities. Therefore, I control for logged GDP per capita. Lastly, as the literature suggests (Petersen, Saporta & Seidel, 2000), ethnic minorities may be disadvantaged in hiring processes. Therefore, I control for the level of ethnic diversity in countries. The data comes from the Ethnic Power Relations (EPR3) Dataset (Wimmer, Cederman & Min, 2009).

Hypothesis 2 is based on the idea that decreased opportunities and grievances are positively related. This hypothesis is tested at the subnational level for two countries; Nigeria and Mexico. Both of these countries are listed amongst the largest oil exporters in Africa and Latin America, which would make it reasonable to investigate internal dynamics for both countries. While there are 37 states in Nigeria[3], there are 32 states in Mexico[4]. In order to measure the level of grievance in different regions of Nigeria, I use survey data from Afrobarometer Round 6, which was conducted in 2014. The unit of observation for this hypothesis is individuals, who participated Afribarometer Round 6 survey. In order to measure the level of grievance in Mexico, I utilize the Latin American Public Opinion Project (LAPOP) 2014, which is the most recent version of the LAPOP questionnaires.

The dependent variable for Hypothesis 2 is the level of grievance. Both for Nigeria and Mexico, I operationalize the dependent variable in a similar fashion. Both datasets have asked individuals' perceptions about their current life standards compared to 12 months ago. For Nigeria, I operationalize grievance by utilizing the question[5]; "Looking back, how do you rate economic conditions in this country compared to twelve months ago?". Possible answers to this question are 1=Much worse, 2=Worse, 3=Same, 4=Better, and 5=Much Better[6]. Similarly, for

[3] The list of states in Nigeria: Abia, Adamawa, Akwa-Ibrom, Anambra, Bauchi, Bayelsa, Benue, Borno, Cross-River, Delta, Ebonyi, Edo, Ekiti, Enugu, FCT, Gombe, Imo, Jigawa, Kaduna, Kano, Katsina, Kebbi, Kogi, Kwara, Lagos, Nassarawa, Niger, Ogun, Ondo, Osun, Oyo, Plateau, Rivers, Sokoto, Taraba, Yobe, Zamfara.

[4] The list of states in Mexico: Aguascalientes, Baja California, Baja California Sur, Campeche, Chiapas, Chihuahua, Coahuila, Colima, Durango, Guanajuato, Guerrero, Hidalgo, Jalisco, Mexico City (Federal District), Michoacan, Morelos, Mexico, Nayarit, Nuevo Leon, Oaxaca, Puebla, Queretaro, Quintana Roo, San Luis Potosi, Sinaloa, Sonora, Tabasco, Tamaulipas, Tlaxcala, Veracruz, Yucatan, Zacatecas

[5] Question Q6 in Afrobarometer Round 6.

[6] For all the variables from Afrobarometer Round 6, answers such as "Don't know" and "Refused to answer", and "Missing" are coded as "." instead of numerical values.

Mexico, the dependent variable is operationalized based on the question[7]; "Do you think that your economic situation is better than, the same as, or worse than it was 12 months ago?" Possible answers are 1=Better, 2=Same, 3=Worse.[8] While in the Afrobarometer data increasing values represent decreased grievance, in the LAPOP data increasing values represent increased grievance. In order to make my analysis more intuitive, I multiply the LAPOP score by -1 so that higher values would denote decreased grievance.[9]

The key independent variable for Hypothesis 2 is job availability. For Nigeria, I use the question[10]; "Do you have a job that pays a cash income? If yes, is it full-time or part-time? If no, are you presently looking for a job?". This question is a direct measure of job opportunities explained in the theory section. Possible answers to this question are: 0=No (not looking), 1= No (looking), 2=Yes, part time, and 3=Yes, full time. I operationalize this variable in two ways. First, I keep it as it is described in the dataset *(Job 1).* Second, I assume that not having a job when you are not looking is not as frustrating as not having a job when you are actually looking for it. Therefore, I change the order of 0-3 scale as 0= No (looking), 1=No (not looking), 2=Yes, part time, and 3=Yes, full time *(Job 2).* According to this new order, the worst-case scenario is the one that the respondent does not have a job despite the fact that he/she is looking for it, whereas the best possible option is when the respondent has a full time job. For Mexico, I utilize the question[11]; "How do you mainly spend your time? Are you currently…" Possible

[7] Question QIDIO 2 in LAPOP 2014.

[8] For all the variables from LAPOP, answers such as "Doesn't know" and "Doesn't Answer" are coded as "." instead of numerical values.

[9] Similar strategy is used by Arezki & Bruckner (2011) for Non-Oil GDP Corruption variable.

[10] Question Q95 in Afrobarometer Round 6.

[11] Question QOCUP4A in LAPOP 2014.

answers are “1=Working, 2=Not working, but have a job, 3=Actively looking for a job, 4=A student, 5=Taking care of the home, 6=Retired, a pensioner or permanently disabled to work, and 7=Not working and not looking for a job. I reorganize this variable in two ways; First, I rearrange it as 1=Actively looking for a job, 2=Not working and not looking for a job and Not working, but have a job combined, 3= student, retired, and taking care of home combined, and lastly, 4=Working *(Job 1).* The logic here is that the worst-case scenario is when someone does not have a job although he/she is looking for one. A better situation is when someone is not working, but also not looking, or he/she has a job, and yet does not work. Next, I consider that being at school, retired or preoccupied with housework would be reasonable excuses for not working. Lastly, of course, the best scenario is where someone is working. In order to determine the robustness of my results, I rearrange this variable in an alternative way. Accordingly, 1=Actively looking for a job, 2=Not working and not looking for a job, student, retired, taking care of home combined, 3=Not working, but have a job, 4=Working *(Job 2).* In this second order, I consider that if an individual is not working, and is not interested in finding a job, the motives behind that would be similar to being retired, taking care of home, etc. It can also be argued that having a job even if someone is not currently working for it would be a luxury to have. I test Hypothesis 2 by using both versions of this variable.

I also employ a number of control variables for both countries. For Nigeria, another independent variable (*Life Standard*) is created in order to measure life standards in different regions. Afrobarometer Round 6 investigates whether the respondent has access to

electricity[12], piped water system[13], and sewage system[14]. I create an ordered scale ranging from 0 to 3, which suggests that if the respondent has access to all infrastructure, it is coded as 3, and if none then it is coded as 0[15]. Moreover, the primary social cleavage in most of the African countries is ethic and/or regional identity (Erdmann, 2004; Scarritt & Mozaffar, 1999; Stewart, 2002), and "[c]onflicts are often expected to occur between groups with different ethnic identities" (Øtsby et al, 2009, p. 311), so I assume that ethnic cleavages would have a direct impact on the level of regional grievance. For this control variable, I use the results for the question[16]; "How often [is your ethnic group] treated unfairly by the government?" Possible answers to this question are listed as 0=Never, 1=Sometimes, 2=Often, and 3=Always. Still another control variable is a dummy variable, which shows whether the region is an oil-producing region. If the region has oil, it is coded as 1, and 0 otherwise. Lastly, political conditions and the level of violence would affect the level of grievance as much as economic conditions of individuals. Therefore, I control for the existence of violence in the region; if the region is recorded as a high violence state 1, and 0 otherwise.

I use similar control variables for Mexico. First and foremost, in order to measure life standards, I create an ordered variable ranging from 0 to 3. If the respondent has the entire infrastructure, it is coded as 3, and if none then it is coded as 0[17]. The questions I use for this

[12] Question EA_SVC_A in Afrobarometer Round 6.

[13] Question EA_SVC_B in Afrobarometer Round 6.

[14] Question EA_SVC_C in Afrobarometer Round 6.

[15] Similarly, if the respondent has access to only two of the three, it is coded as 2, if he/she has access to only 1 of the three, it is coded as 1.

[16] Question Q88A in Afrobarometer Round 6.

[17] Similarly, if the respondent has access to only two of the three, it is coded as 2, if he/she has access to only 1 of the three, it is coded as 1.

variable covers home connected to sewage system[18], drinking water in home[19], and indoor bathroom in home[20]. I also add *Oil* and *Violence* control variables; if the region has oil, it is coded as 1, and if not 0. If the region has violence, it is coded as 1 and 0 otherwise. Data for oil binary variable and violence binary variable are from Ishiyama et al. (2018). The statistical method I use to test Hypothesis 2 both for Nigeria and Mexico is ordered logit as my dependent variable is categorical and ordered for both countries. Additionally, I examine $Wald\ \chi^2$ tests in order to determine whether independent variables simultaneously influence the model.

In the following section, I evaluate the results of my analyses. Table 2.1 represents the results for the level of meritocracy whereas Table 2.2 represents the results for the level of grievance.

3.2 Results

In order to test Hypothesis 1, I run regression where the dependent variable is the level of merit. The results in Table 3.1 provide strong support for Hypothesis 1. As the theory suggests, countries with fuel rents have less meritocratic recruitment strategies compared to countries without fuel rents. As Table 3.1 shows, fuel rents and merit are negatively related, which means that as fuel rents increase, meritocracy decreases. Regarding control variables, all control variables, except for the *Working Age*, are statistically significant. While logged GDP per capita and the polity score provide results in the direction they are expected, ethnic

[18] Question R26 in LAPOP 2014.

[19] Question R12 in LAPOP 2014.

[20] Question R14 in LAPOP 2014.

fractionalization provides results in the opposite direction. Accordingly, by looking at Table 3.1, I posit that as the county's GDP per capita, and polity score increases, the country is more likely to implement merit-driven recruitment strategies. Surprisingly, as ethnic fractionalization of a country increases, meritocracy also increases.

Table 3.1: OLS Analysis for Estimated Effects on Merit

	DV=Meritocracy
Fuel Rents Per Capita	-0.00012*** (.00003)
GDPpc(ln)	0.50731*** (0.03739)
Working Age	.00360 (0.00820)
Ethnic Frac.	0.37281** (0.14888)
Polity 2	0.02482*** (0.00724)
Constant	-4.24021*** (0.42423)
N	528
R^2	0.783
*** $p \leq 0.01$; ** $p \leq 0.05$,* $p \leq 0.10$ Robust standard errors (clustered by country) are in parentheses.	

To test the second hypothesis, I use the level of grievance as my dependent variable. The results are statistically significant. However, they suggest interesting outcomes for the theory provided. Based on the theoretical explanation noted earlier, I expect to see a positive relationship between the dependent variable and the key independent variable. The reason is that as the numerical value of the dependent variable increases, grievance decreases, and as the numerical value of the independent variable increases individuals have better working conditions. Therefore, if the dependent variable and the key independent variable are positively related, that would mean that as individuals have better job opportunities, their grievance decreases. However, the results provided above suggest that while the theoretical

explanation is supported for Mexico, it is not supported for Nigeria. In Nigeria, people with better job opportunities have more grievances.

Table 3.2: Ordered Logit Analysis for Estimated Effects on Regional Grievance

	Nigeria Model 1	Nigeria Model 2	Mexico Model 1	Mexico Model 2
Job1	-0.1942*** (.0349)		0.2900*** (0.0700)	
Job2		-0.1443*** (0.0341)		0.1898*** (0.0489)
Life Standard	0.0606 (0.0420)	0.0712* (0.0419)	0.0747 (0.0648)	0.0686 (0.0652)
Ethnicity	-0.0817* (0.0418)	-0.0842** (0.0418)		
Oil	0.6393*** (0.1037)	0.6311*** (0.1036)	-0.0114 (0.1403)	-0.0249 (0.1413)
Violence	-0.0875 (0.1499)	-0.1291 (0.1501)	0.2432* (0.1371)	0.2750* (0.1387)
N	2071	2071	1513	1477
LPL	-2942.4941	-2949.0888	-1408.2658	-1376.3396
$Prob > \chi^2$	0.0000	0.0000	0.0001	0.0003
$Pseudo\ R^2$	0.0125	0.0103	0.0081	0.0078
$Wald\ \chi^2$	73.36***	60.54***	22.28***	21.27***

*** $p \leq 0.01$; ** $p \leq 0.05$,* $p \leq 0.10$
LPL, Log pseudo-likelihood.

Astoundingly, moreover, control variables tell different stories for these two countries. On the one hand, oil rich regions in Nigeria are highly significant, and violence does not play any role on individuals' grievances. On the other hand, oil rich regions do not affect individuals' grievances in Mexico, whereas violence does. This may be due to the fact that these countries' struggles are different. Although both countries are known to be the two major oil/gas exporters, individuals' everyday lives are affected by different factors. While in Nigeria, these factors are more related with ethnicity and the existence of oil in the region, for Mexico, it is more related with the existence of violence. Below, I provide my concluding remarks.

3.3 Conclusion

A strong body of empirical work has linked oil abundance to educational underachievement, increased repression, conflict, and corruption. Different arguments in the literature reflect the complexity of the topic. Although the existing literature has contributed to the growing understanding about rentierism, future work should be devoted to understanding certain concepts in more detail such as corruption and grievance, and disaggregating the dynamics in rentier states. With this study, I try to fill this lacuna by providing a detailed theoretical explanation for individuals' frustration in rentier states, and by testing the robustness of the theory with both national level and subnational level analyses.

The above study has offered some findings suggesting that rentier governments are less likely to use meritocracy in their recruitment decisions, and that individuals' perceptions are shaped by job opportunities, life standards, and other factors such as the existence of oil and violence in the region. Interestingly, at subnational level, although the results suggest a significant relationship between the level of grievance and job opportunities, this relationship is in the expected direction for Mexico, whereas it is the opposite direction for Nigeria. Despite differences in results, this study has proven that individuals' grievances are indeed shaped by their job opportunities along with other factors. These factors are subject to change depending on each country's internal struggles and dynamics. While for Mexico, violence plays a significant role; ethnicity and oil in the region are more influential for Nigeria.

There are of course other questions to address as well. For example, measuring meritocracy is a challenge with currently available datasets. Future research should be devoted to understanding what meritocracy is, and how it can be measured more effectively. Second,

although this study sheds light on concepts that have been understudied in the rentier states literature - such as individuals' grievances in terms of job availability - further research is needed in order to understand these dynamics and underlying factors better. Although this article is an early step in gauging how natural resources influence the level of meritocracy and grievance, it is still a useful contribution to the literature, and worth to pursue further.

In the following chapter, I investigate the role of natural resources on conflict onset. I argue that the relationship between abundant natural resources and conflict onset can only be explained by combining both macro level and micro level explanations. Missing out one of these factors would lead to false assumptions, which is the current situation of the rentier state literature.

CHAPTER 4

CONFLICT IN RENTIER STATES: THE ROLE OF OPPORTUNITY AND WILLINGNESS

4.1 Introduction

The current rentier state literature has been divided regarding the likelihood of conflict in rentier states. One logic suggests that it is more likely to have conflicts in resource-rich countries (Buhaug et al., 2009; Humphreys, 2005; Lujala, 2010; Ross, 2004, 2012). A second logic suggests that these countries create highly durable political systems (Bellin, 2004; Dunning, 2008; Morrison, 2009, 2010). There have been different explanations in the literature. However, there has not been a consensus yet. With this study, I provide a more comprehensive explanation to a highly contested issue.

My theory depends on the idea that both willingness at the micro level and opportunity at the macro-level are needed in order to explain the conflict onset in rentier states. This approach is an important avenue for future research. Because, although the scholarly community has discussed the reasons behind conflict in rentier states, I suggest that the reason why there is no consensus on that matter is mainly because scholars have considered the willingness factor, and the opportunity factor separately. For example, while Weinstein's (2005) "opportunistic joiners" argument, and Collier & Hoffler's (2000, 2004) greed explanation for conflict in rentier states would be considered as individual-level "willingness" explanations, Fearon's (2005) weak state theory is related with opportunity. What is missing in the literature is the mechanism that explains these factors together. With this theory, I use the opportunity and willingness concepts together in order to have a more comprehensive understanding of civil conflicts in rentier states.

This article has several contributions. First and foremost, I argue that there is a distinction between rentier states and non-rentier states in regards to conflict onset, and that similar theoretical explanations of conflict would not work for these two different sets of countries. Second, as previously mentioned, I provide a more complete theory for conflict onset in resource-rich countries by using both micro-level and macro-level explanations. Second, I explain what "state capacity" means for rentier states. Although state capacity has been considered as an important factor for conflict both in rentier and non-rentier countries, there are so many indicators of state capacity, which makes it harder for scholars to reach a solid consensus about how state capacity affects the likelihood of conflict. In this piece, by using the idea of the "weak state syndrome", I explain why military power should be the most important determinant of state capacity in rentier states. Lastly, I point out a subtle, but critical difference between repression and military power. Following Bell et al.'s (2013) approach, I argue that the difference between the actual and potential use of power against citizens should be understood clearly in order to eliminate divergent findings about violence. By clarifying the distinction between repression and military power, I also explain how they affect the likelihood of conflict in retier states. Accordingly, while repression would increase the likelihood of conflict, military power would decrease it.

Following section summarizes the current state of research on rentierism and provides my theory along with the hypotheses. The section starts with a summary of conflict onset literature, and proceeds with the reasoning as to why conflict onset should be studied separately in rentier states and in non-rentier states. Then, a theory of conflict onset, which depends on both willingness and opportunity is presented.

4.2 Literature Review and Theory

4.2.1 Conflict Onset Literature

It is now widely recognized that since the end of World War II, intrastate conflicts have become more frequent and deadly compared to interstate conflicts. As such, streams of research have been produced on civil war onset, duration and outcome over the last two decades.

Scholars focusing on civil war onset have pointed to several conditions that implicate the onset of civil conflicts. The first group of scholars has investigated the role of grievance (Davies, 1962; Gurr, 1970) on civil war onset. In this perspective, individuals' grievances toward the government would be the main reason of conflict. These grievances would range from unresolved religious issues to ethnic diversities. Although grievances provided an intuitively plausible explanation for civil war onset, scholars have criticized this approach because of both theoretical and empirical inconsistencies. These discussions lead to the next approach, the greed explanations of conflict onset (Collier & Hoeffler, 2000, 2004). This work has suggested that civil war onset is more likely where opportunity cost of being a rebel is low, and financing the rebellion is easy. Relatedly, it has been argued that conflicts are more likely in places where there are lootable resources that would finance the rebellion (Ross, 2006; Weinstein, 2005, 2006).

Although useful, both grievance and greed explanations of conflict have been criticized, as they can only explain the individual-level motivations of conflict (Goldstone, 1994). Therefore, scholars have created several other approaches to explain the onset of conflict. While some scholars have investigated the role of different groups and overcoming the

collective action problems in these groups (Goldstone, 1994; Lichbach, 1995; Popkin, 1988; Van Belle, 1996), some others have focused on state weakness (Fearon & Laitin, 2003); the role of repression and dissent (Lichbach, Davenport & Armstrong, 2004; Mason & Krane, 1989; Rasler, 1996; Young, 2013) or ethnic and religious diversity (Cederman, Wimmer & Min, 2010; Horowitz, 2000; Kaufmann, 1996).

Although useful, current literature on conflict onset still lacks the ability of creating predictive models. While most explanations of conflict onset help explain w*here* conflict is likely to occur, they stay limited to explain *when* it is likely to erupt. The path for future research would be to "[bring] opportunity and willingness arguments together" (Young, 2016, p. 39). This is what I hope to achieve with this study. Nevertheless, I limit my research only for resource-rich countries instead of creating a catch-all theory that would be implemented for all conflict onsets in the world. The primary reason for this choice is that rentier countries have substantially different characteristics than non-rentier countries, which makes it simply impossible to create a comprehensive theory that would both integrate opportunity and willingness explanations of conflict, and account for the differences between resource-rich and resource-poor countries. The theory developed in this study is created by keeping these differences in mind, and so should have an explanatory power only for rentier countries. Indeed, empirical results in Chapter 5 also prove this point statistically. Below, I provide a detailed explanation as to why conflict onset in rentier states should be studied separately.

4.2.2 Why Rentier Countries Should be Analyzed Separately?

Since the 1970s, much scholarly attention has been devoted to the existence of

abundant natural resources and its negative effects on developing countries. This developing literature has contributed to a growing understanding about the role of exports of natural resources on countries' economic, political, and social structure. Resource rich countries have been argued to have a higher level of corruption (Sala-i-Martin & Subramanian, 2003; Arezki & Bruckner, 2011; Shaxson, 2007), lower level of education (Beblawi & Luciani, 1987), higher level of repression (Demeritt & Young, 2013; Smith, 2008), and slower democratization (Bellin, 2004; Jensen & Wantchekon, 2005; Ross, 2001). Moreover, rentier countries have to deal with several economic hardships such as the Dutch disease, high volatility, and high level of unemployment (Karl, 1997, 2007; Ross, 2012; Sinnot, Nash & De La Torre, 2010).

As resource rich countries show so many disparities in terms of economy, politics, and social structure, motivations for individuals to fight against the government would naturally be shaped by different dynamics in rentier countries compared to non-rentier countries. All these characteristics of rentier countries affect individuals' lives in a distinct way, and create countries with unique social structures. These features of rentierism would shape the political culture and individuals' attitudes towards the government differently. As these countries' every day lives are shaped in a distinct way - different than non-rentier counterparts - it is logical to assume that different motivations and dynamics would lead to conflicts.

This is probably why scholars have created three separate lines of research. The first one compares rentier and non-rentier states in regards to likelihood of conflict (Collier & Hoeffler, 1998; 2000; Fearon, 2005; Ross, 2006; Smith, 2004); the second line of research focuses exclusively on rentier countries, and studies underlying reasons for conflict onset (Humphreys, 2005; Weinstein, 2005); the last strand of work investigates the likelihood of conflict based on

several factors, existence of resources being one of them (Gurses & Mason, 2010; Fjelde & de Soysa, 2009). Clearly, scholars have been reluctant to create comprehensive theories that would combine these two different worlds; resource-rich and resource-poor countries. Instead, they have either investigated the role of resources on the likelihood of conflict as a single variable in their dataset, or created more detailed theories for resource poor and resource rich countries separately. Although this has been a common practice in the scholarly community, the reasons for this separation have never been stated explicitly. This is the first scholarly work that explains why conflict onset in resource-rich countries should be studied separately.

Thus far, I have provided a summary of the conflict onset literature, and explained why rentier countries should be studied separately. Below, I provide my theory of conflict onset in rentier countries along with my hypotheses.

4.2.3 Conflict Onset in Rentier Countries

In their seminal book, Most & Starr (1986) use opportunity and willingness to fill the gap between macro and micro level concepts in international relations. They define opportunity as the possibility of interaction between different states, and willingness as deciding for something among alternatives, and accepting the costs and benefits of that decision. While opportunity represents systemic approaches of international relations, willingness represents individual-level explanations. In other words, while opportunity represents "…macro-, systemic, or dyadic level processes (e.g., Waltz 1979)" (Siverson & Starr, 1991, p. 21), willingness represents micro-level processes, such as "… hearts, minds, and calculations of the decision makers of states (e.g. Bueno de Mesquita, 1981)" (Siverson & Starr, 1991, p. 21).

The authors argue that using only one of these concepts to explain international relations would be misleading, and that opportunity and willingness are jointly necessary conditions for wars. Both opportunity and willingness must reach to a certain threshold for a war to occur, and that threshold can vary from case to case. If both opportunity and willingness pass the threshold, then the war will occur. If one of them passes the threshold, then one should be concerned about the other one to pass its own threshold. Following the same logic, I suggest that conflict would be triggered when both willingness and opportunity pass the threshold in rentier states.

In this study, I provide a theory that combines both willingness and opportunity factors in order to explain conflict onset in rentier states. I suggest that both individual and systemic level explanations of conflict should be analyzed together. For this study, "willingness" is defined as a rational individual's motivation to fight against the government based on his/her cost-benefit calculations, whereas "opportunity" is defined as macro-level model that defines interaction between dissidents and the government. Accordingly, while "willingness" depends on two factors; (1) worsening economic conditions, and (2) government repression/coercion, opportunity depends on the level of state capacity.

4.2.4 Factors Influencing Willingness

As noted earlier, there are two main factors that affect individuals' willingness; economy and repression. I posit that as economy gets worse, citizens' willingness to fight against the government increases. The same is also true for repression; as the government uses repression as a method to stay in power, it puts considerable strain on citizens' lives, which motivates

them to fight. Although economy and repression would be important factors in any country, they gain more attention when the country has abundant natural resources. Previous literature notes that compared to non-rentier states, resource-rich countries are more likely to use repression, and to be negatively affected by economic turmoil. Below, the reasons for economic changes and repression are explained in more detail.

The literature has suggested several possible reasons for economic hardships in rentier states, one of which is the Dutch disease. The Dutch disease is a concept suggesting that a country's natural resource sector undermines the country's agricultural and manufacturing sectors (Hasanov, 2013; Karl, 1997; Sachs & Warner, 2001). It is the situation in which a country's economic development relies on natural resources, which leads to a decline in other sectors such as agriculture and manufacturing. As Ross (2012) argues, the decline in other sectors is the result of two effects; (1) "the resource movement effect", which suggests that when the resource sector booms, it raises the production cost in other sectors and (2) the "spending effect"; "as money from the booming resource sector enters the economy, it raises the real exchange rate. A higher real exchange rate makes it cheaper to import agricultural and manufactured goods than to produce them domestically" (Ross, 2012, p. 1149). The Dutch disease is one of the primary reasons for deteriorating economic conditions in such countries, as these countries' ability to develop themselves further depends highly on their capacity to create alternative sectors in the economy.

Another reason for weak economies in rentier states is high volatility. It is now widely recognized that oil is a highly volatile commodity, which is shaped by boom-bust cycles (Smith, 2004, 2006; Sinnot et al., 2010; Weithal & Luong, 2006). "…[O]il prices are twice as variable as

those of other commodities" (Karl, 2007, p. 6). This volatility in oil price affects budgetary discipline and the control of public finances negatively, which also leads to increase in poverty and the gap between the haves and the have-nots. As Sinnot et al. (2010) argue, mismanaging short-run volatility may also cause a slower growth in many different ways such as volatility of export income, instability of fiscal spending, and systematic undersaving. Thus, high volatility is another reason that would affect some rentier countries' economic conditions negatively.

The last reason is related with job opportunities. The nature of the economy in such countries affects the job market negatively. "Because oil is the world's most capital-intensive industry, the sector creates few jobs per unit of capital invested" (Karl, 2007, p. 6). This leads to increased unemployment, and underemployment in these countries, which increases the level of grievance for citizens. All these negative aspects of the economy have an influence on citizens at the micro-level. Majority of the population in such countries stay unemployed, or underemployed, and individuals cannot earn their living through legitimate ways, which leads to frustration and willingness to fight against the government.

The second factor that influences the level of willingness at the micro level is government repression. By definition, repression is the violation of personal integrity rights, and it is a tool that governments use against domestic threat (Davenport, 1995; Franklin, 2008; Moore, 2000; Shellman, 2006). The literature suggests that rentier governments would choose this strategy as a method to keep the political system in order more often than non-rentier states (Bueno de Mesquita & Smith, 2009; Demeritt & Young, 2013; Smith, 2008). The logic is that leaders in rentier governments do not rely on tax revenue for income as these governments gain enough revenue from oil exports. If the government does not ask for

revenue from its citizens, then the social contract is undermined, and the government is less accountable to its citizens (Fearon & Laitin, 2003; Ozekin & Arioz, 2014). This also makes it less costly for rentier governments to use repression compared to non-rentier governments.

As rentier governments use repression as a policy tool easily, the level of grievance also increases in these countries. The literature suggests that there is a positive relationship between the level of repression and the level of grievance (Cederman et al, 2010; Gurr & Moore, 1997; Regan & Norton, 2005; Walsh & Piazza, 2010). Thus, as the rentier state's violation of personal integrity rights increases, grievance increases, and so the level of willingness for individuals to fight against the government.

In short, both weak economy and high repression are important factors that motivate citizens to oppose the rentier government. In rentier states, economy is negatively affected in three ways; the Dutch disease, high volatility, and lack of job opportunities. Rentier states are also more likely to repress compared to non-rentier countries. Therefore, citizens develop grievances, which would explain the micro-level motivations for conflict in such countries. Below, I describe the second necessary component of conflict, the macro-level processes.

4.2.5 The Level of State Capacity as the "Opportunity"

Increasing the willingness threshold is not enough for citizens to rise against the rentier government. Increased frustration and willingness explains Gurr's (1968) deprived-actor model of revolution. However, "[t]here are many situations on record where "severe and persisting grievances' abound and are clearly perceived as such, but where victimized people lack the political wherewithal to galvanize anger into action" (Aya; 1979, p. 42). In other words,

grievance is not by itself sufficient for an individual to rebel against the government. Another line of argument explains why this is the case. As Mancur Olson's (1965) collective action (CA) theory suggests, the best strategy for an individual is not to rebel even if there is a high level of grievance. "Rebels have everything to gain and nothing to lose to stay at home." (Lichbach, 1995, p. 7). Joining the rebel group is costly because benefits are unknown, and the risks are high. Plus, even if rebels gain something, these benefits are public goods, so an individual can still enjoy the benefits by free-riding.

The rebel's dilemma arises because if everyone follows Olson's collective action theory, then there would be no revolutions or civil conflicts. On the other hand, if everyone follows Gurr's (1968) deprived actor logic, then there would be a lot more rebellions than there have been. As Lichbach (1995) points out, both of these programs have opposite *problematiques*. While deprived-actor logic cannot explain why people do not rebel all the time, collective action logic falls short in explaining why people ever rebel. As a solution, Lichbach (1995) suggests another causal mechanism. According to him, there are two main coalitions; revolutionary coalition, which is also known as the rebel's dilemma, and antirevolutionary coalition, which is known as the state's dilemma.

Revolutionary coalition has two steps: cooperation within each dissident group, and cooperation between different dissident groups. While dissidents try to solve the collective action problems within and between groups, the government tries to make life harder for dissidents, and to maintain the status quo. The outcome is related with how much the government could prevent the dissidents solving their collective action problems. As states can not only implement solutions to their own CA problem, but also impede solutions to the

dissidents' CA problem, they have the advantage over dissidents. This fact explains both the infrequency of revolution and the existence of the state.

Accordingly, in rentier states, although grievance increases in these countries because of economic conditions and government repression, the government tries to prevent citizens to overcome their collective action problem. In other words, the government tries not to give that opportunity to its citizens. This constitutes the second component of conflict onset in rentier states; state capacity.

State capacity is a widely used term, which can generally be described as "the state's ability to accomplish those goals it pursues, possibly in the face of resistance by actors within the state." (DeRouen & Sobek, 2016, p. 59) It is a multifaceted concept, which encompasses many factors such as economic development, military power, and bureaucratic quality.

Previous studies have argued that state capacity is a factor that affects both the onset (Braithwaite, 2010; de Soysa & Fjelde, 2010; Gleditsch & Ruggeri, 2010; Mason, Weingarten & Fett, 1999) and the duration (DeRouen & Sobek, 2004) of civil conflicts. For example, Fearon and Laitin (2003) investigate the role of government strength on the likelihood of civil war occurrence, and find that weak states are more conflict-prone as they are not capable of policing their territory. State capacity has also been discussed in the rentier state literature. For instance, Fearon (2005) criticizes Collier and Hoeffler's (2000; 2004) findings regarding greed and civil war, and suggests that oil producers usually have low state capabilities, which makes civil wars more likely.

Although state capacity has received a myriad of attention and debate, a consensus has yet to emerge as to what state capacity means in rentier states. On the one hand, it has been

argued that rentier governments are more corrupt (Arezki & Bruckner, 2011; Bhattacharyya & Hodler, 2010; Sala-i-Martin & Subramanian, 2003; Shaxson, 2007), and less democratic (Bellin, 2004; Jensen & Wantchekon, 2005; Ross, 2001), which would suggest a lower state capacity in terms of bureaucratic quality. On the other hand, resource-rich countries have been argued to invest more heavily to their military power (Colgan, 2011, 2013; Gregory Gause, 2010; Ross, 2001), which would suggest a higher state capacity in terms of military power.

I suggest that "state capacity" can best be explained in rentier states by the idea of the "weak state syndrome". According to the weak state syndrome, weak states fail to represent the entire nation. Instead, it represents a specific ethnic, military, economic or social group. This exclusion would lead to oppositions against the government. Weak states would also prioritize its military expenses, as leaders at weak states feel threatened by its citizens. "Military spending comes at the expense of the economic well-being of those very segments of the population whose loyalty to the state is the most fragile" (Mason, 2004; p. 135). Therefore, the weak state's legitimacy is further undermined in the society. The state realizes this, and feels the necessity to invest even more on military expenditure. These dynamics create the "insecurity dilemma". The consequences of the insecurity dilemma are detrimental. First, it creates a less secure environment for all segments of the society. The government feels less secure as its citizens challenge their legitimacy. Civilians definitely feel less secure with increased repression of the government. Second, the more government allocates its resources on military expenditure, the less money it spends on institutional development, which creates a vicious circle for even more insecurity dilemma.

The idea of the "weak state syndrome", and its consequence the "insecurity dilemma" together explain the dynamics in rentier states. Rentier states are "weak" as they fail to represent the entire population, and they are also "strong" as they invest heavily on their military power. As such, it is not the level of bureaucratic quality that determines the likelihood of conflict in such countries; it is the military power. The logic is that, citizens develop grievance because of economic conditions and the level of repression. However, they would not find the opportunity to overcome their collective action problems and rise against the government if the state is militarily powerful enough to signal that in case of any rebellion, it has the power to suppress it. Put differently, rentier states with low bureaucratic quality and democratic institutions would not be the ones that face conflict even if they can be described as "weak" states in certain ways. Citizens in such countries would have grievance, but as long as the state maintains a strong military power, such states would not face conflict. On the other hand, rentier states with low state capacity in terms of military power would be the ones to give the "opportunity" to the rebels, and so they are the ones that face conflict.

Here, one important caveat deserves mention. Following Bell et al. (2013), I view state's military power as an indicator of the *potential* to use repression, and not as the *actual* use of repression. There is a substantial conceptual distinction between state capacity as military power and state's use of repression. As noted earlier, repression, by definition, is state's violation of physical integrity rights, which is the *actual* use of power against citizens. State capacity in terms of military power, on the other hand, indicates state's coercive *potential*, which can be used in the case of a rebellion. Although subtle, this difference between state's repression and state's military capacity is important, and "[a]ttention to this distinction may

help explain some of the divergent empirical findings of the current literature on political violence" (Bell et al, 2013, p. 241).

In short, citizens in rentier states get aggrieved by deteriorating economic conditions and by the level of government repression. This would lead to increased willingness to rise against the government. The government would sense the level of willingness, as it would be demonstrated as violent and non-violent protests. As the level of willingness increases, the rentier government is expected to respond with increased military control. If the government would sustain a high level of military presence, as expected, then citizens would not be able to overcome their collective action problem, willingness would not be supported with opportunity, and not surprisingly, the conflict would not occur. If, on the other hand, the government would not be able to sustain its military power, it is only then citizens' willingness would be combined with the opportunity created by the government's absence, and the conflict would occur. This theoretical approach therefore leads to the below hypotheses:

> *Hypothesis 1:* In rentier states, likelihood of conflict initiation increases as repression increases and state's military power decreases.
>
> *Hypothesis 2*: In rentier states, likelihood of conflict initiation increases as economy worsens and state's military power decreases.

Thus far, I have summarized the current rentier literature, and suggested that a more comprehensive theory of conflict onset in rentier states is required. Accordingly, I posit that in rentier states, likelihood of conflict initiation increases when repression increases, and economy worsens, and when state's military power decreases. The following chapter tests the robustness of these theoretical claims.

CHAPTER 5

EMPIRICAL ANALYSIS OF CONFLICT IN RENTIER STATES: THE ROLE OF OPPORTUNITY AND WILLINGNESS

5.1 Research Design

To test the hypotheses developed in Chapter 4, I use a time-series cross-sectional research design. Owing to data constraints, the temporal domain of my study is from 1960 to 1999. The unit of analysis of this study is country-year. In order to define rentier states, I use a binary measure of states earning at least one-third of all export revenues from oil and gas (Fearon & Laitin, 2003). Accordingly, I have 33 rentier countries, [21] Below, I first discuss the sample and variables used in the study. I use the same variables for different models, which contain three sets of countries; (1) rentier, (2) non-rentier, (3) all (both rentier and non-rentier). Later, I evaluate the results of the estimations. Here, I first prove that rentier countries should be treated separately in regards to conflict onset compared to non-rentier countries. Later, I discuss how the results lend support to the two hypotheses developed in Chapter 4.

5.1.1 Dependent Variable

The dependent variable is a binary variable coding whether there is conflict initiation in the country. I conceptualize conflict as the interaction between the rentier state and dissidents, which exceeds a certain death threshold. Following voluminous previous work in the literature (Cederman & Girardin, 2007; Humphreys, 2005; Lujala et al., 2005; Mitchell & Thies, 2012;

[21] Rentier countries in the dataset: Algeria, Angola, Azerbaijan, Bahrain, Bolivia, Cameroon, Colombia, Congo, Ecuador, Egypt, Gabon, Indonesia, Iran, Iraq, Kazakhstan, Kuwait, Libya, Mexico, Nigeria, Norway, Oman, Panama, Russia, Saudi Arabia, Senegal, Singapore, Syria, Trinidad & Tobago, Tunisia, Turkmenistan, UAE, Venezuela, Yemen.

Thies, 2010; Thyne, 2006), I utilize the Fearon and Laitin (2003) conflict data for this study. This data depend on the assumption that the conflict killed at least 1,000 over its course, with a yearly average of at least 100. Conflict onset is a dummy variable, which is coded as 1 for all country-years in which a civil war started and 0 otherwise. Fearon and Laitin (2003) "… do not code as ones years in which a civil war continues, which would be relevant if [their] focus were causes of war duration rather than onset. Nor do [they] drop country-years that have an ongoing war" (Fearon & Laitin, 2003, p. 82). I use the data as the way it is coded by the authors, as I am also interested in conflict onset.

5.1.2 Independent Variables

As my theory suggests, economic hardships may be an indicator of increased grievance in the society. In order to measure this factor, I use the logged and lagged[22] GDPpc. For capturing the concept of repression, I utilize both The Political Terror Scale (PTS) Index (Gibney & Dalton, 1996; Wood & Gibney, 2010) and the Cingranelli and Richards (CIRI) Personal Integrity Rights Index (Cingranelli & Richards, 1999). The PTS Index measures levels of political violence on its 5-level scale, in which 1 represents the lowest amount and 5 represents the highest amount of violence. The CIRI index, on the other hand, ranges from 0 to 8, in which increasing values represent increasing government respect for human rights. In order to make my analysis more intuitive, I multiply the score by -1 so that higher values denote more

[22] I lagged both logged population and logged GDP per capita variables in order to reduce endogeneity problems. Similar approach is used by Buhaug (2006) and Mitchell & Thies (2012).

personal integrity abuse[23]. In PTS, there are two available variables; one is based on The US Department of State (PTS_S), another one is based on the Amnesty International (PTS_A). The PTS_S data comes from the US Department of State Country Reports on Human Rights Practices, and the PTS_A data comes from the Amnesty International Annual Report. Following Demeritt and Young (2013), I use both PTS_S and PTS_A variables separately. Additionally, repression variables are lagged by 1 year in order to ensure the ability to refer causality. In regards to opportunity, I consider state capacity in terms of military power. In order to measure the rentier state's military power, I use the natural log of both military expenditure and military personnel data from the Correlates of War (COW) dataset.

5.1.3 Control Variables

In order to avoid risks of possible endogeneity, I employ a number of control variables. The first control variable is population. As Gleditsch (2007) suggests, countries with a larger population are more likely to experience civil war. Therefore, I control for logged and lagged population with the data from the Ethnic Power Relations (EPR3) Dataset (Wimmer et al., 2009). This dataset has the population size averaged from various sources. Additionally, it has been hypothesized that political regime type has an influence on the likelihood of civil conflicts (Hegre, Ellingsen, Gates & Gledtisch, 2001; Krain & Myers, 1997; Muller & Weede, 1990), and the level of repression (Davenport, 1999, 2007; Young, 2009). Therefore, I control for the level of democratization by using the Polity database (Marshall & Jaggers, 2002). Next, the literature

[23] Similar strategy is used by Arezki & Bruckner (2011) for Non-Oil GDP Corruption Variable.

suggests that conflicts usually occur between groups with different ethnic identities (Østby et al., 2009). Thus, I control for the level of ethnic diversity. For this variable, I use both Fearon and Laitin's (2003) ethnic fractionalization data, and the EPR3 Dataset. In the EPR3 dataset, there are several measures of ethnic fractionalization. As my theory suggests that rentier states are more likely to exclude certain groups, I use the measure for the size of excluded population relative to the total population.

5.1.4 Method of Estimation

As my dependent variable is binary, I use a logit model. Moreover, the expectation here is that conflict onset in rentier states is dependent on two main factors; opportunity and willingness. The impact of willingness is conditional to the presence of opportunity, and visa-versa. Therefore, an interaction term is necessary (Brambor, Clark & Golder, 2006), where willingness interacts with opportunity to influence the likelihood of civil conflicts. Therefore, I create several interaction terms by combining opportunity variables with willingness variables. Accordingly, as hypotheses from the previous section suggest, there are two paths to conflict in rentier states; either state repression increases while state capacity decreases, or economic turmoil increases while state capacity decreases. While these two scenarios would happen in separation, they may also happen simultaneously. This leads to the following interaction variables: 1) $\text{Econ.}\times \text{Mil. P.}$, 2) $\text{Repr.}\times \text{Mil. P.}$, 3) $\text{Econ.}\times \text{Repr.}$, 4) $\text{Econ.}\times \text{Repr.}\times \text{Mil. P.}$ Accordingly, the model tested in this paper is:

$$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_{12} x_1 x_2 + \beta_{13} x_1 x_3 + \beta_{23} x_2 x_3 + \beta_{123} x_1 x_2 x_3 + \varepsilon$$

where y=Conflict Onset, x1= GDPpc $(\ln)_{t-1}$, x2=PTS_S_{t-1}, and x3=Military Personnel (ln)

Additionally, as I use a binary dependent variable with a time series cross section (TSCS) data, following Beck et al. (1998), I include the time since the last conflict along with three cubic splines in order to mitigate possible time dependency.

Table 5.1 provides the detailed summary of all variables. The table has the maximum, minimum, and mean values of the variables used in Table 5.2 along with their standard deviations. These values are provided for rentier, non-rentier, and combined set of states.

5.2 Results

This study makes two main suggestions. First, it is argued that rentier countries have considerable disparities from non-rentier countries in regards to politics, economy, and social structure. That requires scholars to examine conflict onset in rentier states separately rather than combining rentier and non-rentier states. That way, scholars would be able to create more comprehensive theories, and would account for all the factors that affect conflict onset in rentier countries.

This study also suggests that conflict in rentier states should be analyzed by investigating both micro-level and macro-level dynamics. Willingness and Opportunity together should be present for conflict to occur in rentier states. It is further argued that economic hardships and government repression would affect individuals' grievances at the micro-level, and would make them more willing to fight against the government. If the government cannot sustain its military existence, then conflict occurs in such countries. If, on the other hand, the government can maintain a strong military appearance, then despite their grievances, citizens would not have the opportunity to rise against the government, and start the conflict.

Table 5.1: Summary of Variables

Variable	Rentier				Non-Rentier				All			
	Mean	St. Dev.	Min	Max	Mean	St. Dev.	Min	Max	Mean	St. Dev.	Min	Max
Conflict	0.026	0.159	0	1	0.016	0.128	0	1	0.018	0.133	0	1
GDPpc $(\ln)_{t-1}$	8.480	0.886	6.280	10.677	8.160	1.090	5.639	10.404	8.226	1.068	5.639	10.677
PTS_S_{t-1}	2.707	1.201	1	5	2.386	1.152	1	5	2.437	1.166	1	5
Military Per. (ln)	4.035	1.870	0	8.342	3.766	1.698	0	8.465	3.842	1.730	0	8.465
Population $(\ln)_{t-1}$	9.150	1.643	5.605	12.289	9.259	1.329	6.227	14.032	9.272	1.377	6.227	14.032
Polity	-3.882	6.582	-10	10	0.756	7.413	-10	10	0.064	7.462	-10	10
Ethnic Frac. (F & L, 2003)	0.403	0.265	0.037	0.891	0.406	0.286	0.001	0.925	0.408	0.283	0.001	0.925

The empirical results support the implication of the theory developed in Chapter 4. Table 5.2 illustrates the results of the logit analyses of conflict onset for rentier, non-rentier, and all countries.

Table 5.2: Logit Analyses of Conflict Onset

	(1) Rentier	(2) Non-Rentier	(3) All
GDPpc $(ln)_{t-1}$	16.579**	-0.722	-0.540
	(8.405)	(1.505)	(1.189)
PTS_S_{t-1}	39.900**	1.336	3.216
	(19.123)	(3.724)	(2.846)
Military Personnel (ln)	35.161**	2.207	2.620
	(16.136)	(2.884)	(2.180)
Population $(ln)_{t-1}$	0.689	0.141	0.093
	(1.470)	(0.213)	(0.175)
Polity	0.040	0.054*	0.034
	(0.106)	(0.034)	(0.027)
Eth. Frac. F &L (2003)	3.679**	0.047	0.154
	(2.141)	(0.607)	(0.563)
GDPpc $(ln)_{t-1}$ X Mil. Pers. (ln)	-3.831**	-0.245	-0.288
	(1.906)	(0.398)	(0.290)
PTS_S X Mil. Pers. (ln)	-9.814**	-0.739	-1.240**
	(4.971)	(0.949)	(0.695)
GDPpc $(ln)_{t-1}$ X PTS_S_{t-1}	-4.178**	-0.074	-0.328
	(2.097)	(0.519)	(0.390)
GDPpc $(ln)_{t-1}$ X PTS_S_{t-1} X Mil. Pers. (ln)	1.069**	0.080	0.147
	(0.562)	(0.129)	(0.091)
Time since last onset	0.412	0.202	0.078
	(0.783)	(0.223)	(0.199)
Spline 1	0.009	0.006	0.005
	(0.021)	(0.006)	(0.006)
Spline 2	-0.006	-0.005	-0.005
	(0.011)	(0.006)	(0.005)
Spline 3	0.001	0.002	0.003
	(0.002)	(0.003)	(0.003)
Constant	-171.842**	-2.337	-3.347
	(87.138)	(11.080)	(8.936)
P > Chi-square	0.0000	0.0000	0.0000
Pseudo R^2	0.2992	0.1084	0.1082
Observations	454	2361	2822

Robust standard errors (clustered by country) are in parentheses. Dependent variable: Conflict Onset (Fearon & Laitin, 2003)

*** $p \leq 0.01$; ** $p \leq 0.05$,* $p \leq 0.10$ (one-tailed)

Estimations performed using Stata 12.0

Above, while Model 1 displays the results from the logit analyses of conflict onset in

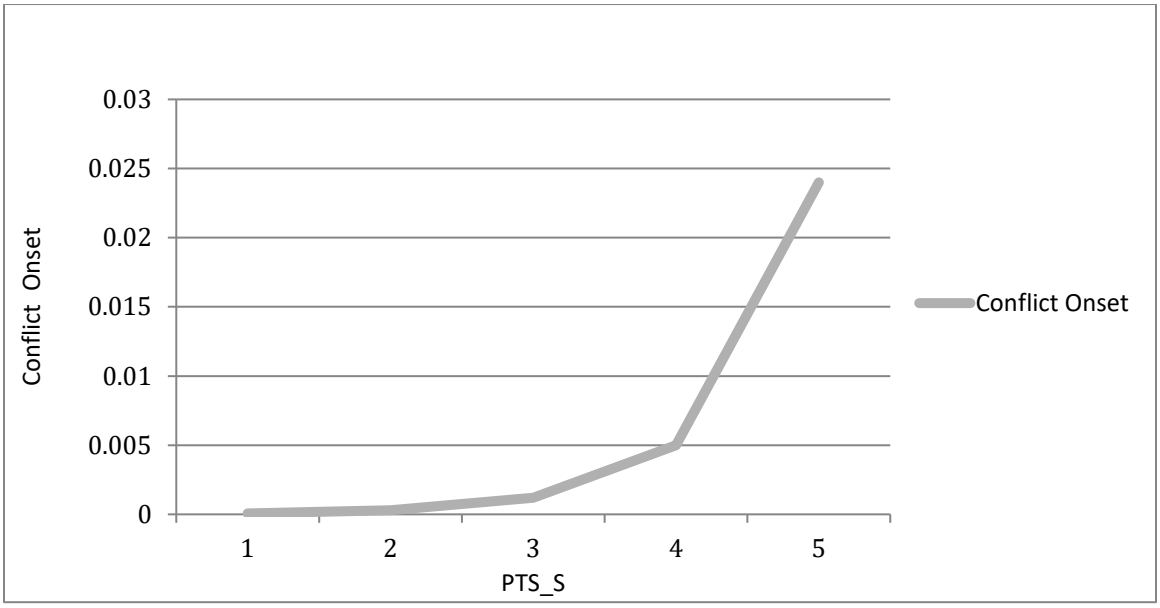
rentier countries, Model 2 reports the results for only non-rentier countries, and Model 3 reports the results for all countries – including both rentier and non-rentier countries. Below, I first explain what the results suggest in regards to the differences between resource-poor and resource-rich countries. Then, I evaluate the results of the estimations for rentier countries.

The results in Model 2 and Model 3 demonstrate that rentier states and non-rentier states are substantially different: the coefficient on the interaction term is statistically significant only for rentier countries, and insignificant for both non-rentier and combined countries, which is consistent with the expectations. The results suggest strong support for the contention that conflict onset should be studied separately in rentier countries. This finding is an important contribution to the literature, because the results prove that a comprehensive theory that can be used to explain conflict onset in both rentier and non-rentier countries is not a viable option. As rentier countries have distinct characteristics in all aspects of governance, the way the conflict erupts in these countries would be different compared to non-rentier countries. Had the results been significant for all groups of countries, it could mean that a catch-all theory could be used to explain conflict onset for all types of countries. However, consistent with the theory, the results suggest that conflict onset in rentier states has distinct dynamics.

Having postulated that conflict onset should be studied separately in resource-rich countries and resource-poor countries, I now return to the results that explain conflict onset in rentier states. Model 1 in Table 5.2 tests the two hypotheses concerning conflict onset in rentier states. The coefficient on the joint interaction term in that model is positive and statistically significant, suggesting that the joint increase of GDPpc, government repression and

military power increase the likelihood of conflict onset in rentier countries. This means that when both micro and macro level factors are taken into account, they increase the chance of conflict in oil-rich countries. In regards to the coefficients of individual variables, the literature suggests that "… interpreting the constitutive elements of interaction terms as unconditional or average effects" (Brambor et al., 2006, p. 71) would be a mistake as lower-order interaction term coefficients would not provide meaningful interpretations (Brambor et al., 2006; Braumoeller, 2004)[24]. As such, I provide Figure 5.1, 5.2, and 5.3[25] in order to show the marginal effect of each individual variable, when all the other variables are held at their mean values.

Figure 5.1: The Effect of Repression on Conflict Onset



[24] That in mind, the positive and significant coefficient on the GDPpc suggests that when the values of the level of military personnel and the level of repression are equal to zero, the likelihood of conflict would be positively related with the level of GDPpc. Similarly, coefficients of repression and military personnel would suggest that when other variables influencing the interaction term are held at zero, then they are positively related with the likelihood of conflict. The same is also true for interaction values with only two variables. The coefficient suggests that the other variable is held at zero.

[25] All three figures are designed with the results from Model 1. Predicted probabilities are calculated using Stata's margins command.

Figure 5.2: The Effect of Military Personnel on Conflict Onset

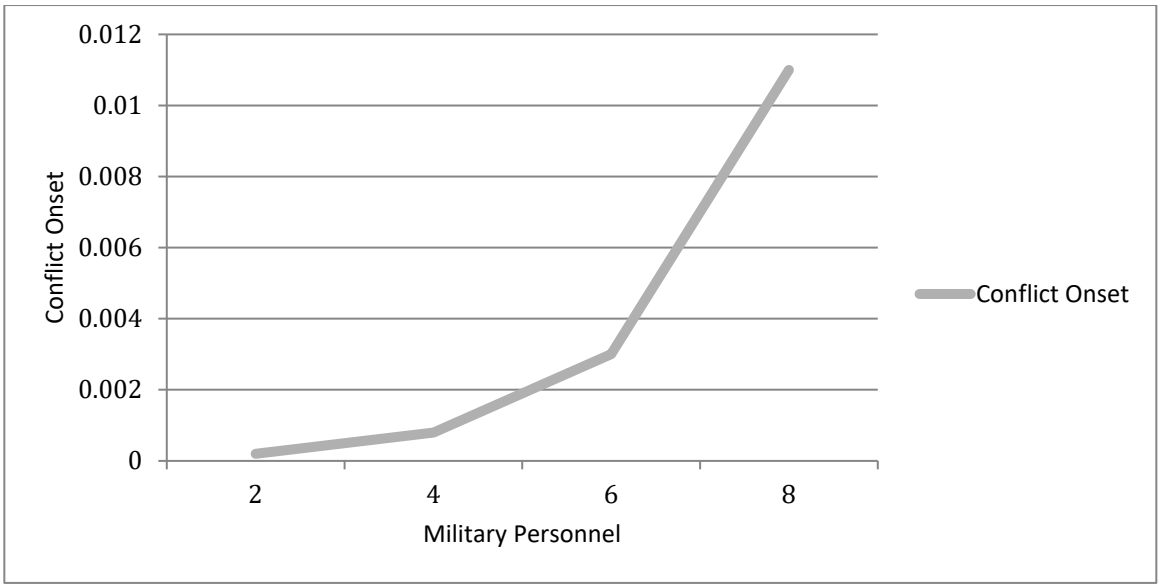


Figure 5.3: The Effect of GDPpc (ln)t-1 on Conflict Onset

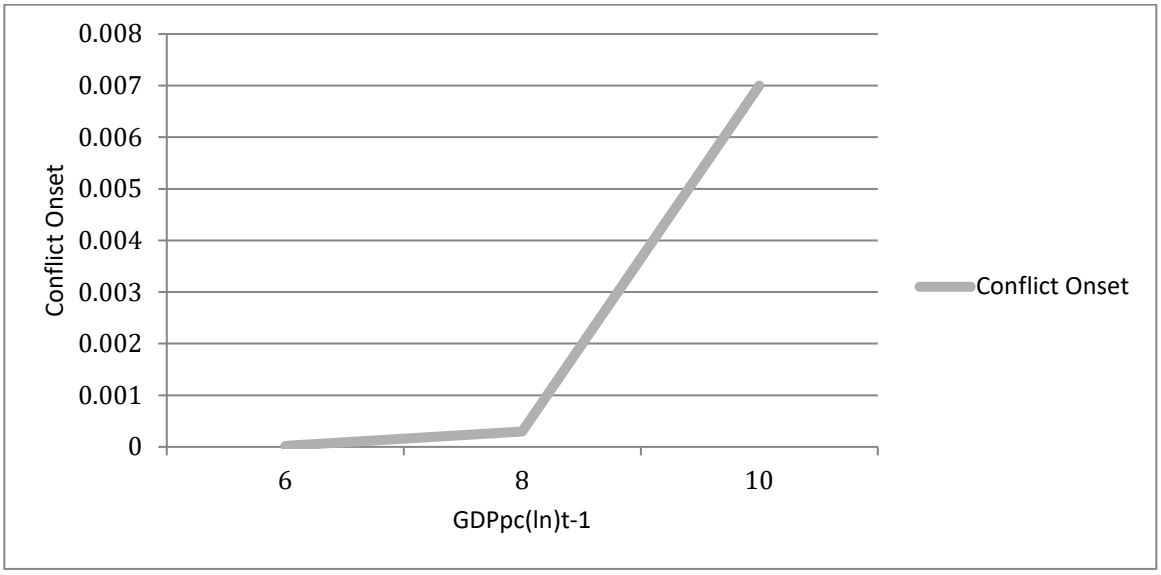


Figure 5.1 illustrates the impact of government repression on the likelihood of conflict when all other variables are held at their mean values. Across the X-axis are different values of government repression. As the number increases, the level of repression increases. The Y-axis

shows the change in the likelihood of conflict onset.[26] As the graph suggests, there is a dramatic increase in the likelihood of conflict when the level of repression increases from "4" to "5". This suggests that repression and conflict are positively related, and that when the repression reaches to its highest level, the likelihood of conflict increases dramatically. Figure 5.2 displays the results for the effect of military personnel on conflict onset holding other variables constant. Accordingly, as the number of military personnel increases, the likelihood of conflict increases. Especially when the military personnel number reaches closer to its maximum value, there is a drastic increase in the probability of conflict. Figure 5.3 demonstrates the change in the probability of conflict onset with the change in GDPpc when other variables are at their mean values. Similar to the other two graphs, there is a considerable increase in the likelihood of conflict when the level of GDP increases.

Overall, the results reveal that in rentier states, factors such as GDPpc, the amount of military personnel, and the level of repression are influential determinants of conflict. As the theory suggests, both micro and macro-level effects should be considered in order to understand the complex nature of conflict in rentier states. The statistically significant and positive coefficient for the joint interaction term supports the theory. Moreover, consistent with extant research, countries with abundant natural resources are more likely to experience conflict when the government increases its level of repression. Especially when repression reaches to its highest level, conflict becomes even more likely. In regards to the level of GDPpc, the results suggest that as the GDPpc of rentier countries increases, the probability of conflict

[26] Although the numbers on the Y-axis may suggest a small marginal impact of the independent variable on the dependent variable, this is only because of the nature of this research. The paper focuses on conflict onset, which is a rare event by nature. The same is also true for Figure 5.2 and Figure 5.3.

also increases. This may be due to the greed explanations of conflict in rentier states; the more revenue, the more opportunity to finance the rebellion (Collier & Hoeffler, 2000, 2004). Moreover, contrary to claims in the literature, population size and polity score do not seem to have any influence on the likelihood of conflict in rentier states. Ethnic fractionalization is the only control variable that is significant, suggesting that as the level of ethnic fractionalization increases, the likelihood of conflict increases.

Thus far, I have described the measures of the dependent variable, independent variables, and the method of estimation. Later, I have presented the results. Overall, the findings suggest strong support for the theoretical claims provided in Chapter 4. There are two main arguments that have been empirically tested and proven. First, rentier states and non-rentier states should be studied separately when it comes to creating a comprehensive theory on conflict onset. Second, both willingness and opportunity factors should be considered to explain conflict onset in rentier countries. In what follows, I offer my concluding remarks along with ideas for possible future research.

5.3 Conclusion

Political scientists have developed a strong body of theory and evidence to understand how and why civil conflicts occur in rentier states. This study attempts to add to this body of work by presenting a more comprehensive theory. My theoretical approach centers on the idea that conflict in rentier states can only be explained by combining both macro and micro-level explanations. While difficult economic conditions and high level of repression would lead

citizens to be more willing to resist the rentier government, conflict happens only if the government would not sustain its military appearance.

The theoretical hypotheses in this study are strongly supported by the empirical evidence. As the logit analysis reveals, resource-rich and resource-poor countries experience different paths to conflict, and there are important departures that should be addressed. Moreover, conflict in rentier states is indeed a complicated endeavor, which can only be explained by considering various factors such as military personnel, GDPpc, and repression at the same time. Explaining conflict only by one or two of these aspects would lead to contradictory findings, as it is the case in the current rentier state literature.

While the results suggest strong support for the contention that both willingness and opportunity should be considered in order to explain conflict in rentier states, this paper is still an early step in exploring the underlying reasons for conflict in resource-rich countries. There are of course other questions to address as well. For example, as Levy & Thompson (2010) note, "Most wars do not arise out of the blue but instead reflect a process that plays out over time" (p. 5351). As such, although in this paper, a comprehensive theory of civil war is introduced, a more dynamic process should be explored in future research.

In the next section, I introduce a theory that focuses on conflict outcomes in rentier countries. Although there has been extant work on conflict onset and some work on conflict duration in rentier states, there is no work I know of that focuses on conflict outcomes in resource-rich countries. The theoretical approach advanced in the next section suggests that conflicts are less likely to end with negotiated settlements and more likely to end with government victory in rentier states.

CHAPTER 6

RESOURCE ABUNDANCE AND CONFLICT OUTCOMES: HOW DO NATURAL RESOURCES AFFECT CONFLICT OUTCOMES?

6.1 Introduction

Since the end of World War II, the number of intrastate conflicts has been increasing whereas the number of interstate conflicts has been decreasing. As such, scholarly community has focused intensively on different stages of civil conflicts; conflict onset (Dixon, 2009; Fjelde, 2010; Hegre et al., 2001; Ross, 2004), duration, and outcome (Brandt et al., 2008; Cunningham, Gleditsch & Salehyan, 2009; DeRouen & Sobek, 2004; Mason & Fett, 1996; Mason et al., 1999). Scholars have also investigated the role of third parties in conflicts. While some have focused on third party interventions, (Balch et al., 2008; Regan, 1996) some others have attempted to unravel mechanisms of conflict management (Bohmelt, 2012; Greig, 2005; Greig & Regan, 2008).

Social scientists have also developed a strong body of theory and evidence to understand the role of abundant natural resources on conflict. While the existing literature focuses almost exclusively on the effect of primary commodity exports on conflict onset (Collier & Hoeffler, 1998, 2004; Humphreys, 2005; Ross, 2004), a limited amount of research focuses on conflict duration in resource-rich countries (Buhaug et al., 2009; Collier et al., 2004; Doyle & Sambanis, 2000; Lujala, 2009).

Although much ink has been spilled to explain the resource-conflict nexus, it is rather surprising that conflict outcome in rentier states has generally been neglected. This study takes one step in addressing this lacuna by examining why and how conflict outcomes in rentier

states are different than the ones in non-rentier states. This paper makes three primary contributions. First, it explains the logic as to why abundant natural resources would lead to different conflict outcomes. Although many conflict scholars have used the existence of oil/gas as a control variable, or as a part of their theoretical explanation (Buhaug et al., 2009; Doyle & Sambanis, 2000; Fearon & Laitin, 2003), this should not be enough as there is indeed a rich theoretical and empirical evidence suggesting strong disparities between resource-rich and resource-poor countries. This paper is the first scholarly attempt, which treats rentier states as a theoretically distinct set of states in regards to conflict outcomes. Second, it contributes to the conflict management literature, as it provides a theory suggesting that negotiated settlements would be less likely in rentier states compared to non-rentier states. Third, it does so using a bargaining framework. In particular, this article explains why negotiations are less likely in rentier states by utilizing information asymmetries, commitment problems, and issue indivisibilities.

My theoretical argument starts with the assumption that countries with abundant natural resources are substantially different than countries without such resources. The resource curse literature already offers theories to explain these disparities. Rentier states have been argued to be more corrupt (Arezki & Bruckner, 2011; Bellin, 2004; Sala-i-Martin & Subramanian, 2003; Shaxson, 2007), less democratic (Bellin, 2004; Jensen & Wantchekon, 2005; Ross, 2001), and more conflict-prone (Ross, 2004, 2012; Humphreys, 2005). These countries also deal with educational underachievement (Beblawi & Luciani, 1987), and the Dutch disease (Hasanov, 2013; Karl, 1997). There are two main reasons for these negative outcomes in rentier states; low institutional quality and absence of a taxation system. Given that a civil conflict is

the result of strategic interaction between the government and rebels (Young, 2012), it is not surprising that conflict outcomes would also be shaped differently in rentier states.

This study suggests that, as institutions are not well-established, and as the state does not need the revenue from taxation, rentier governments develop certain characteristics that lead to different conflict outcomes. Accordingly, while government victory is more likely in rentier states compared to non-rentier states, negotiated settlements are less likely outcomes.

Below, I provide an overview of the current rentier literature. First, I list the negative effects of rentierism, then I define the two factors that lead to these negative outcomes.

6.2 Existing Literature on Rentier States

Decades of rigorous scholarship have produced a wealth of knowledge concerning the concept known as "the paradox of plenty", which suggests that abundant natural resources in a country often become a curse rather than a blessing. In many cases, natural resources are linked to several undesirable outcomes.

One detrimental effect of abundant natural resources is known as the "Dutch disease". This phenomenon occurs when manufacturing and agricultural sectors are affected negatively because of the emerging oil sector. As a consequence of the resource boom, the real exchange rate increases, which reduces the competitiveness of domestically produced goods in the country. This makes the country overwhelmingly dependent on one type of revenue, which is a real economic problem for rentier states. Second, political scientists have repeatedly documented that oil impedes democracy (Bellin, 2004; Jensen & Wantchekon, 2005; Ross, 2001; Tsui, 2010; Ulferder, 2007). In his pooled time-series cross-national study, Ross (2001)

finds that oil indeed impedes democracy, and the harmful influence of oil on democracy is not geographically limited with the Middle Eastern countries. After Ross, other scholars in the field have confirmed his findings. Third, the literature suggests that rentier states often have high level of corruption (Arezki & Bruckner, 2011; Bhattacharyya & Hodler, 2010; Humphreys et al., 2007; Le Billon, 2003; Shaxson, 2007). This argument has been supported by a plethora of theoretical and empirical studies. As one oil-exporting finance minister remarks "People rob… because there is no reason not to" (Karl, 2007, p.18). Fourth, the research shows that rentier states implement repression as a policy tool more often than non-rentier states (Bueno de Mesquita & Smith, 2009; Demeritt & Young, 2013; Smith, 2008). Because, repression is easier and highly effective compared to its alternatives. Fifth, as Beblawi & Luciani (1987) has argued in their seminal book "The Rentier State", revenues from fuel lead to educational underachievement. Their research has been followed by other scholars (Amuzegar, 1999; El-Ghomeny, 1998; Mazawi, 1999; Minnis, 2006), which all suggest that the level of education decreases as oil revenue increases.

The last pernicious effect of oil revenue is related with conflict. Extant research has investigated the role of natural resources on conflict onset, and has suggested two facts that are not easily reconciled with each other; on the one hand, it has been argued that existence of natural resources would lead to conflict (Collier & Hoeffler, 2004; Humphreys, 2005; Ross, 2004), on the other hand, it has been suggested that oil-rich countries have more robust regimes (Andersen & Aslaksen, 2013; Bellin, 2004; Goldberg, Wibbels & Mvukiyehe, 2008; Morrison, 2009; Smith, 2004, 2006). More recent work has sought a deeper understanding of the effect of resources on conflict onset. While some scholars have examined the effects of

lootable versus non-lootable resources (Le Billon, 2001; Lujala, 2009, 2010; Lujala et al., 2005), some others have looked at the "pointiness" (Wick & Bulte, 2006) and proximity of resources from national capitals (Le Billon, 2001). Although limited, some scholars have also investigated the role of natural resources on the duration of conflict, and their conclusions are equivocal at best. While Collier et al. (2004) write that primary commodity exports do not have any significant impact on civil war duration, Doyle & Sambanis (2000) and Buhaug et al. (2009) argue that natural resources increase the duration of conflict. Moreover, at a more disaggregated level, Lujala (2009) finds that hydrocarbon production inside a conflict zone leads to longer and more intense conflicts, but the same effect cannot be observed at the country-level.

As noted above, rentier countries are not blessed with their resources as they deal with several perverse effects. A relevant question then is why? Why do countries with large endowments of natural resources face such challenges? Why do rentier states perform worse than countries without natural resources? In general, the literature has suggested two factors that play a role in rentier states; low institutional quality and the lack of a taxation system.

The role of institutions is in the crux of the resource curse argument. The literature suggests that public sector in rentier states usually lacks the authority to implement effective policies. Instead, the state is usually considered as a "honey pot", which encourages rent-seeking behavior (Arezki & Bruckner, 2011; Bhattacharyya & Hodler, 2010; Humphreys et al., 2007; Karl, 2007; Le Billon, 2003; Shaxson, 2007), decreases the level of institutional trust (Ishiyama et al., 2018), and creates instability in the economy (Mehlum et al., 2006).

More specifically, as a result of weak institutions, these countries deal with the Dutch disease, as the state is not capable of keeping economic diversity, and the country's economy gets over-dependent on one type of revenue. This also leads to fiscal problems, as the country's economy is dependent on oil, which is a highly volatile commodity. Weak institutions are also the main reason for corruption. As there is limited institutional capacity, there is little rule of law in place. As Shaxson (2007) suggests, it would be irrational not to rob in a society where everyone cheats or takes or pays bribes. Similarly, as institutions are not well established, there is lack of interest in formal learning. Higher education is not encouraged by the government as better job prospects are not readily available for more educated individuals, and as the government's revenue does not depend on productive activity (entrepreneurship). This also leads to lack of democratization. Ross (2001) calls this the modernization effect, which maintains that as resource-led growth does not encourage higher education, the society does not become more autonomous, and individuals do not get accustomed to thinking for themselves. As these are the preconditions for a more democratic society, rentier states lack democratization through the modernization effect.

The second factor that leads to unwanted outcomes in rentier states is the lack of a taxation system. The logic of the taxation argument is grounded in studies of early democratization in England and France. The literature suggests that the demand for representation is linked to the government's attempt for taxation. As rentier governments derive sufficient revenue from natural resources, they tax their citizens lightly or not at all. As a result, citizens do not demand accountability from the government. This leads to several negative outcomes. First and foremost, lack of an established taxation system is the primary

reason for slower democratization in rentier states. No taxation means no representation, which leads to less democratic societies. Second, no taxation leads to high level of repression in rentier states. There has been a good deal of literature that points out a direct relationship between oil exports and violation of physical integrity rights. The general argument is that as there is no taxation, the rentier government is detached from the general population, which makes them unaccountable and liberated to implement unwanted policies, such as repression. Thus, rentier governments use repression as an easy tool to preserve the status quo. Third, as rentier governments do not rely on tax money, they can easily divert the revenue to military expenditures (Colgan, 2015). Extant work has suggested that resource rich countries invest more heavily to their military power compared to resource poor countries (Chan, 1980; Colgan, 2011; 2013; Gregory Gause, 2010; Ross, 2001; Skocpol, 1982). Lastly, as citizens are untaxed, they have little information about the government's actions, which leads to weak linkages between the rentier government and citizens (Colgan, 2015; Humphreys et al., 2007).

As noted above, there is ample research suggesting that weak institutions and the lack of a taxation system lead to several negative effects in rentier states. In this paper, I wish to contribute to current discussion by offering a theory, which suggests that the same two factors also lead to different conflict outcomes in oil-rich countries. Below, I provide my theoretical approach based on these assumptions.

6.3 Theory on Conflict Outcomes

This section explores how the lack of a taxation system and weak institutions affect the conflict outcome in rentier states. I first explain how lacking a taxation system makes

government victory more likely in rentier states compared to non-rentier states. Then, I argue that weak institutions make negotiated settlements less likely in rentier states compared to non-rentier states.

6.3.1 Government Victory in Rentier States

In the last few decades, there has been a burgeoning of information on conflict duration and outcome. Several findings in the conflict literature have been well-established. For example, the literature suggests that there are three possible conflict outcomes; a government victory, a rebel victory, and a negotiated settlement (Mason & Fett, 1996). The literature also suggests that the size of the government's military force is positively related with the probability of government victory (Mason et al., 1999). Given that the government is typically the stronger party at the beginning of the conflict (Mason & Fett, 1996; Zartman, 1995), the likely outcome for most intrastate conflicts in its early stages is government victory. Although this fact is true for both resource-rich and resource-poor countries, the power gap between the government and the rebels is larger in rentier states, which makes government victory even more likely.

In rentier states, the government revenue is based on oil/gas (hereafter simply oil), which is the most valuable primary commodity compared to most others. This extra revenue provides the government significant income to be allocated to military power. Plus, as previously mentioned, rentier states usually do not tax their citizens. As the government's revenue does not depend on the tax money, citizens are less likely to hold the government accountable, and they are usually less informed about the government's actions. This makes it

easier for the government to divert the revenue to fight rebels during conflict. As such, the government invests heavily on military power, which increases the gap between adversaries. As the power gap between belligerents increases, the likelihood of government victory increases.

One might suggest that rebels would finance their rebellion by looting the resources, which would shift the balance of power in favor of the rebels, and would prolong the conflict (Buhaug et al., 2009; Fearon, 2004). Nevertheless, following the existing literature[27], I focus exclusively on oil as the natural resource, and oil is "…so technologically sophisticated and requires so much capital, it is not easily extracted and transported; it is not 'lootable' like drugs or gems" (Karl, 2007, p.30). Thus, it is not as easy for the rebels to benefit the oil revenue. Plus, in an unlikely scenario where the rentier government loses the control of oil during the conflict, this would still not lead to a balance shift in favor of rebels. Because, "…in most cases, a government receives far more oil income than rebels do" (Colgan, 2015, p. 8). Moreover, as the government has exclusive access to the country's oil income during peace times, it builds up its financial political, and military reserves (Colgan, 2015). Given this line of reasoning, it follows that the government's revenue is usually far larger compared to the rebels' revenue. Thus, the most likely outcome still remains to be government victory.[28]

The same logic also suggests that rebel victory is less likely in rentier states compared to non-rentier states. If the government is able to annihilate the rebels early on, then rebel victory becomes a highly unlikely outcome. One may ask then why rebels in rentier states would fight if

[27] It is a common practice in the rentier literature to focus on oil revenue, and discard other types of resources.

[28] Similar arguments have been made in Colgan (2015)'s seminal paper "Oil, Domestic Conflict, and Opportunities for Democratization" However, the author has never tested these claims. Instead, his paper focuses on regime transition.

they can anticipate *ex ante* that the probability of victory is low. There are two answers to this question. First, rebels would in fact be unaware of this possibility at the beginning of the conflict, as they lack information about the government's actions. In particular, as the government does not have a taxation system, and well-established institutions, rebels would not be informed about the government's capabilities, which would make the rebels believe that they may defeat the government. Second, even if they do not consider victory as a likely outcome, they may see the rebellion as a business (Colgan, 2015; Collier et al., 2004). In some rentier countries, citizens' most profitable option is being a rebel, as it pays more than any other legitimate job. This suggests the following hypothesis:

> *Hypothesis 1:* Conflicts in rentier states are more likely to end with government victory compared to the ones in non-rentier states.

Although government victory is a likely outcome in rentier states, there may be some factors that would prevent the government from ending the conflict in its early stages. For instance, there may be outside patrons who would fund the rebels. (Humphreys, 2005) As one example, when Iran and Iraq stopped fighting directly in 1988, they both continued to support opposition groups in order to keep pressuring one another. Iran provided support for the Supreme Council for the Islamic Revolution in Iraq while Iraq offered support to the Mojahedin-e-Khalq (Salehyan, 2008). Moreover, there may be another country challenging the rentier state militarily. In such a case, the rentier government would be forced to allocate its resources to the interstate conflict, which would decrease the power gap between the government and the rebels, and would prolong the conflict. Another possible explanation may be that the rebels would be weak in terms of military power, but they may still be able to resist the government by using tactical advantages. They would "… operate clandestinely, lack clear military targets…,

and … blend into a host population" (Cunningham et al., 2009, p. 575). Although these are some possible reasons why the rentier government would not prevail at the beginning of the conflict, this article does not focus on these reasons. Identifying the causes of a longer duration of conflict in rentier states is a large subject that falls beyond the scope of this article.

If the government does not wipe out the rebellion early on, drawing on the current conflict management literature (Bapat, 2005; Beardsley, 2010; Greig, 2001), I argue that negotiated settlement is less likely in rentier states compared to non-rentier states.

6.3.2 Negotiated Settlements in Rentier States

As the literature suggests, negotiated settlement is already not a preferred way to end civil conflicts; "A stark observation in examining wars between states and militant groups is that successful negotiation has taken place in only a third of the cases in the postwar period… In many civil wars, the two sides do not even attempt negotiation" (Bapat, 2005, p. 699). Although this is the case for every civil conflict, I argue that negotiated settlement is even less likely in rentier states compared to non-rentier states. I build this argument on the assumption that rentier states have weak institutions, which affects the conflict outcome differently compared to non-rentier states.

As previously noted, in civil wars, the government is the stronger party at the beginning of the conflict. As such, it would not want to recognize its opponent as a legitimate bargaining partner. Instead, it would try to beat the rebels as soon as possible. However, if the insurgency can survive long enough, the conflict would come to the point of "mutually hurting stalemate", which would make the conflict "ripe" for negotiations. Zartman (1985; 2000) argues that when

both parties are at the hurting stalemate – that is when belligerents cannot end the costly conflict even if they are eager to find an end to the pain - then the conflict is ripe for a solution. While a mutually hurting stalemate is one of the conditions needed for negotiations, the other one involves domestic institutions. Building on both the role of domestic institutions and balance of power during conflict, several scholars have employed the bargaining theory to explain negotiations in civil conflicts (Cetinyan, 2002; Fearon & Laitin, 1996). The bargaining theory suggests that there are three bargaining problems in civil conflicts. a) Information Asymmetries, b) Commitment Problems, and c) Indivisible Stakes (Walter, 2009). Below, I introduce each of these problems, and discuss why they are likely to make negotiated settlements even less likely in rentier states.

The first bargaining problem is information asymmetries, which suggests that if parties involved in a dispute had complete information during the war, they would choose to agree on a settlement instead of bearing the costs of the conflict. However, conflicts still occur, as both parties usually have imperfect information about each other's capabilities. Information problems are particularly important in civil conflicts, as rebel groups' capabilities are usually unknown by the government. In fact, the rebels themselves would have limited information about their own capabilities. This creates an information asymmetry, which prevents both parties to agree on a settlement.

I argue that, in rentier states, information asymmetries create a serious obstacle for negotiations due to weak institutions. In part, this is also because of the lack of a taxation system in rentier states. As rentier states do not have an appropriate taxation system, the bureaucratic quality of their institutions stays low. As a result, citizens are usually uninformed

about government's actions. This leads to information asymmetries between citizens and the government. As rebels are essentially citizens, they may overestimate their prospects of victory, which would prevent them from agreeing on any settlement (Collier et al., 2004). Although asymmetry of information is a challenge for any civil conflict, it reaches to its extreme level in rentier states as the rentier government neither has to, nor wants to share any information. As one example, In Saddam Hussein's Iraq, publishing oil income statistics was punishable by death (Colgan, 2015). As such, rebels in rentier states would assume that they should resist the government, as they are highly unaware of the government's capabilities, which would prevent the negotiated settlement.

The second obstacle to a negotiated settlement is called commitment problems. Commitment problems occur when combatants distrust their adversaries, and when they are not sure if the adversary would renege on the settlement (Kirschner, 2010). If combatants believe that the possibility of renewed conflict is high, it is better for them not to agree at the first place, as signing an unstable settlement is more costly compared to continuing the fight. This is true for both the rebels and the government. The rebels would fear that once they give up on their campaign, the government would have a significant bargaining advantage. Plus, negotiations between governments and rebels usually require rebels to demobilize their soldiers. In such a case, the government would annihilate its former enemy. Because of these reasons, rebels would not accept negotiations. Governments would also not trust rebels, as they would not be sure whether rebels would ask for even more concessions after they have been granted concessions during negotiations (Mattes & Savun, 2009).

Commitment problems would be particularly acute in rentier states because of two reasons. First, the literature suggests that large power asymmetries between governments and rebels usually make it easy for governments to renege on a settlement, as rebels are usually weaker, and not able to penalize governments if necessary (Walter, 2009). This would prevent rebels from agreeing on a settlement, as they would not trust the government. As previously mentioned, the power gap between the government and the rebels is expected to be higher in rentier states compared to non-rentier states, which would make the rentier government even less credible in the eyes of the rebels. Second, in rentier states, weak institutions undermine checks and balances (Collier & Hoeffler, 2005), which means that there would be no internal mechanism that would keep the government reliable. This would exacerbate the commitment problem in rentier states.

The last factor that would hinder negotiations is issue indivisibility. In order for a settlement to take place, the issue at stake should be divisible. I argue that in rentier states, issue indivisibility is a real obstacle that stays in the way of negotiations. As the issue at stake is a highly valuable commodity, the conflict is more likely to be considered as a zero-sum game by belligerents, especially by the government. The government would not want to share oil revenue with the rebels, as that would cost its existence. Because of its weak institutional structure and the Dutch disease, the incumbent government is highly dependent on oil revenue, and it would want to keep the monopoly over oil export. Sharing the revenue would mean losing power both economically and politically. As the rentier government would not want to let that happen, it is more likely to renege compared to a non-rentier government, whose existence does not rely on a single type of commodity.

One might argue that oil is a valuable commodity, but it is a commodity afterall. So, in order to end the conflict, the government could choose to distribute oil revenue more evenly. Unfortunately, this is not a likely scenario in rentier states. There are three reasons why the government would not choose this option. First, rentier states do not have well-established institutions, and there is not enough incentive for the government to share its resources. As citizens are usually unaware of the government's actions, the government does not feel responsible to share its resources. Second, rentier states are oil-rich countries, but they are not necessarily rich in terms of GDP. As Heal (2007) suggests most rentier countries would not be able to spread their oil earnings equally. Even Saudi Arabia with oil at $60 per barrel could not do that, because if it were to spread the revenue equally, it would barely lift its population above the U.S. poverty level. When it comes to other rentier states that are not as wealthy as Saudi Arabia, it is clear that sharing the revenue is not a preferred option for the government. Lastly, as the political system is not based on checks and balances or rule of law, the government cannot be assured that the rebels would not ask for even more concessions. Based on these three reasons, oil revenue stays highly indivisible, which creates a zero-sum game for the government. This logic suggests the following hypothesis:

> *Hypothesis 2:* Conflicts in rentier states are less likely to end with negotiated settlement compared to conflicts in non-rentier states.

In the next section, I test the two hypotheses developed in this chapter regarding conflict outcomes in rentier countries. I start with explaining the research design. Then, I provide the results and interpretations.

CHAPTER 7

EMPIRICAL ANALYSIS OF RESOURCE CURSE ABUNDANCE AND CONFLICT OUTCOMES: HOW DO NATURAL RESOURCES AFFECT CONFLICT OUTCOMES?

7.1 Research Design

Chapter 6 suggests that government victory is more likely, and negotiated settlement is less likely in rentier states compared to non-rentier states. In order to test these theoretical propositions, I use a time series cross-sectional research design with a temporal domain from 1946 to 1999. The unit of analysis for this study is civil conflict dyad-year, and I consult the UCDP Conflict Termination Dataset (Kreutz, 2010) for conflict outcomes. My sample, after excluding cases with missing data in our control variables, covers 321 civil conflict dyads. 170 of these conflicts end with government victory, 17 with rebel victory, and 69 with negotiated settlement. The remaining cases in my dataset had been ongoing as of 1999.[29]

7.1.1 Method of Estimation

As the method of estimation, this paper uses the event history framework of competing risks (Box-Steffensmeier & Jones, 2004). Accordingly, as the civil conflict endures, it is at risk of experiencing three possible outcomes; government victory, rebel victory, and negotiated settlement. These possible outcomes are mutually exclusive, and each of them competes to be the first observed outcome in the data. Civil war ends only when one of these outcomes is observed. I specify three separate models, one for each potential outcome. Once an

[29] These ongoing cases are treated as right-censored in my analyses.

observation fails, it exists the sample, and is no longer at risk of experiencing any other outcome. Thus, I only observe the occurrence of the first outcome.

I estimate three separate Cox Proportional Hazards Model. I choose to use the Cox Model to the parametric alternatives, as it does not make any assumptions about the distribution form of the baseline hazard rate. (Box-Steffensmeier & Jones, 2004). DeRouen and Sobek (2004) also present a competing risks model along with a multinomial logit model for conflict outcomes. However, they choose to use parametric duration models to Cox Model. Here, I follow Brand et al. (2008), Greig et al. (2016), and Balch-Lindsay et al. (2008), and argue that Cox Model would be a more suitable option, as I would have no *a priori* knowledge about the shape of the baseline hazard function. Moreover, I test for violations of the proportional hazards assumption (Box-Steffensmeier et al., 2003) in my Cox models, and correct for non-proportionality.[30]

7.1.2 Dependent Variable:

In order to measure civil war outcome, I use data from UCDP Conflict Termination Dataset (Kreutz, 2010). I treat ongoing conflicts with multiple rebel groups as separate dyads. So, each civil conflict dyad-year has one government and one rebel group. A civil war can end in three ways; government victory, rebel victory, and negotiated settlement. Accordingly, peace agreement and ceasefire are coded as negotiated settlements; government victory, and low

[30] Ethnic fractionalization violated the proportional hazards assumption of the Cox model in the government victory model. Logged battle death violated the assumption in the rebel victory model. Both logged military expenditure and ethnic fractionalization violated the assumption in the negotiated settlement model. As a results, I used stata's tvc texp(ln(_t)) addition, which interacts these variables with logged time.

activity (less than 25 battle-deaths) are coded as government victory, and victory for rebel side is coded as rebel victory. There has been a rigorous debate on how to treat conflicts that have not yet ended (Cunningham et al. 2009; Fortna, 2015; Greig et al., 2016; Gurses, 2015). Scholars generally agree that low activity conflicts should be considered as a government favorable outcome (Fortna, 2015; Greig et al., 2016). Although it is not a government victory *per se*, it is the closest option to government victory; the rebel group might still exist, but it is not causing too much trouble for the government. That is why this outcome is coded as a government victory in my dataset.

7.1.3 Independent Variables

The hypotheses developed in the previous section suggest that conflict outcomes would be different in rentier states compared to non-rentier states. As such, the key independent variable for this study is a dichotomous variable, *rentier,* that is coded as 1 if a state earns at least one-third of all its export revenue from oil during conflict years[31], and 0 otherwise. The data comes from Fearon and Laitin (2003).

7.1.4 Control Variables

I control for spurious relationships by including a set of control variables. First, as theoretical assumptions of this article point out the importance of military power, I control for both government military power and rebel military power. For the government, I use both

[31] Rentier countries in this study are listed as: Algeria, Angola, Azerbaijan, Cameroon, Colombia, Congo, Egypt, Indonesia, Iran, Iraq, Nigeria, Oman, Russia, Saudi Arabia, Yemen, Syria, Trinidad and Tobago, Tunisia, and Venezuela.

government military expenditure and government military personnel data from the Correlates of War Project's National Material Capabilities (NMC) Dataset Version 5.0 (Greig & Enterline, 2017). For the rebel military capacity[32], I use the data from the Non-State Actor Dataset v. 3.4 (Cunningham et al., 2009)[33]. In order to account for the skewness, I log these variables. Second, previous literature has suggested that ethnic wars are more likely to last longer and become intractable (Kauffman, 1996). As such, I control for the level of ethnic diversity. For this variable, I use both Fearon and Laitin's (2003) ethnic fractionalization data[34], and the Ethnic Power Relation Dataset's (EPR3) (Wimmer et al., 2009) logged share of excluded population relative to total population data. Third, the role of regime type on conflict onset has been discussed extensively (Krain & Myers, 1997; Muller & Weede, 1990). It may also be possible that regime type affects the conflict outcome by serving as a proxy for state strength (Gurses & Mason, 2010). Thus, I control for the regime type by using the Polity database (Marshall & Jaggers, 2002). The polity score varies from -10 to 10, in which -10 denotes the least democratic and 10 the most democratic country. Moreover, following Lujala (2010), I control for the effect of the logged percentage of country covered by mountainous terrain on the duration of conflict. The data is from Fearon and Laitin (2003). Lastly, previous research has suggested that the cost of a civil war in terms of battle deaths would affect the outcome (Mason & Fett, 1996; Doyle & Sambanis, 2000). Therefore, I control for logged battle-related deaths with the casualty data

[32] Although I present my results for high estimate of rebel capabilities in this article, my results stay robust when both low estimate and best estimate of rebel capabilities are used.

[33] For multiple conflict episodes per dyadid, I use the mean value of the logged rebel capabilities.

[34] Based on Soviet Atlas.

from PRIO Battle Deaths Dataset, Version 3.0 (Lacina & Gleditsch, 2005)[35]. Table 7.1 presents descriptive statistics for the independent variables used in my analysis.

Table 7.1: Descriptive Statistics for Independent Variables

Variable	Mean	Standard Deviation	Minimum	Maximum
Rentier	0.129	0.336	0	1
Military Expenditure(ln)	12.780	1.902	4.605	18.711
Military Personnel(ln)	4.483	1.451	0	8.366
Eth. Frac.	0.532	0.254	0.004	0.901
Excluded Pop.(ln)	2.893	1.244	0	4.595
Polity	-0.765	6.660	-10	10
Mount. Terrain(ln)	2.840	1.155	0	4.421
Battle-related Deaths(high)(ln)	7.590	1.672	3.218	13.276
Rebel Capabilities(high)(ln)	8.921	1.443	3.713	13.997

Below, I provide the results of my statistical analyzes, and argue that government victory is indeed more likely in rentier countries compared to non-rentier countries.

7.2 Results

The results of my Cox models are reported in Table 7.2.[36]. The reported hazard ratios are interpreted relative to 1; while less than 1 suggests a lower risk of each war outcome, greater than 1 suggests a higher risk. The results provide a strong support for the contention that government victory is more likely in rentier states compared to non-rentier states. There is almost 80% higher chance that the conflict would end with a government victory if the country

[35] Although I present my results for high estimate of annual battle deaths in this article, my results stay robust when both low estimate and best estimate of annual fatalities are used.

[36] In this article, I report my results only for certain variables for simplicity. Nevertheless, similar results are obtained with Excluded Pop.(ln) and Military Personnel(ln).

in conflict has abundant natural resources. Figures present the role of natural resources on conflict outcomes[37].

Table 7.2: Cox Regression Competing Risks for Civil War Outcome

	Government Victory	Rebel Victory	Negotiated Settlement
Rentier	1.798** (0.427)	0.431 (0.448)	1.575 (0.693)
Military Expenditure(ln)	1.057 (0.068)	0.734* (0.119)	0.867** (0.054)
Eth. Frac.	2.458*** (0.706)	1.407 (1.074)	1.637* (0.483)
Polity	0.952*** (0.011)	0.971 (0.039)	1.061*** (0.023)
Mount. Terrain(ln)	1.180* (0.104)	0.907 (0.211)	0.679** (0.101)
Battle-related Death(high)(ln)	0.858** (0.053)	1.746*** (0.327)	0.877 (0.107)
Rebel Capabilities(high)(ln)	0.713*** (0.030)	1.106 (0.194)	1.169 (0.142)
Cases	315	317	321
Failures	170	17	69
Observations	1304	1304	1302
Hazard ratios reported. Robust standard errors (clustered by country) in parentheses; *p<.10, **p<.05, ***p<.01.			

Figure 7.1[38] demonstrates the survival time until government victory occurs both in rentier and non-rentier states. My first hypothesis anticipates that conflicts in rentier countries are more likely to end with government victory compared to conflicts in non-rentier countries, and Figure 1 provides strong support for Hypothesis 1. Figure 7.2 presents the survival time

[37] For each figure, the survival function is estimated based on the mean values of continuous variables. The only discrete variable is the existence of natural resources.

[38] For all three figures, the survival function is estimated without controlling for the proportionality assumption as post-estimation is not allowed after estimation with tvc. As the results do not change for the oil variable, this does not constitute a problem for the figures.

until rebel victory. In my theory section, I suggest that as government victory is more likely in rentier states compared to non-rentier states, rebel victory should be less likely in rentier states, and Figure 7.2 supports this theoretical argument.

Figure 7.1: Survival until Government Victory. Cox Proportional Hazards Regression

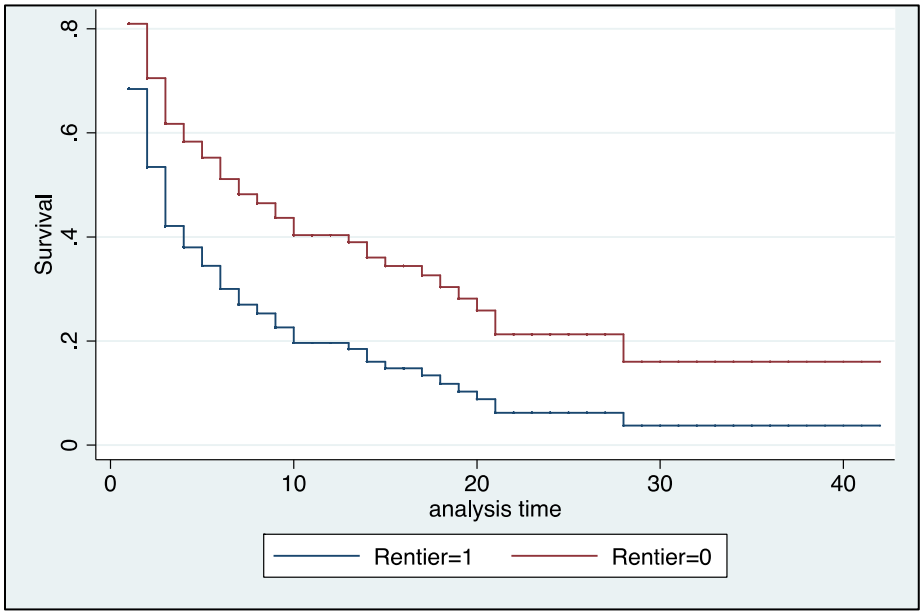
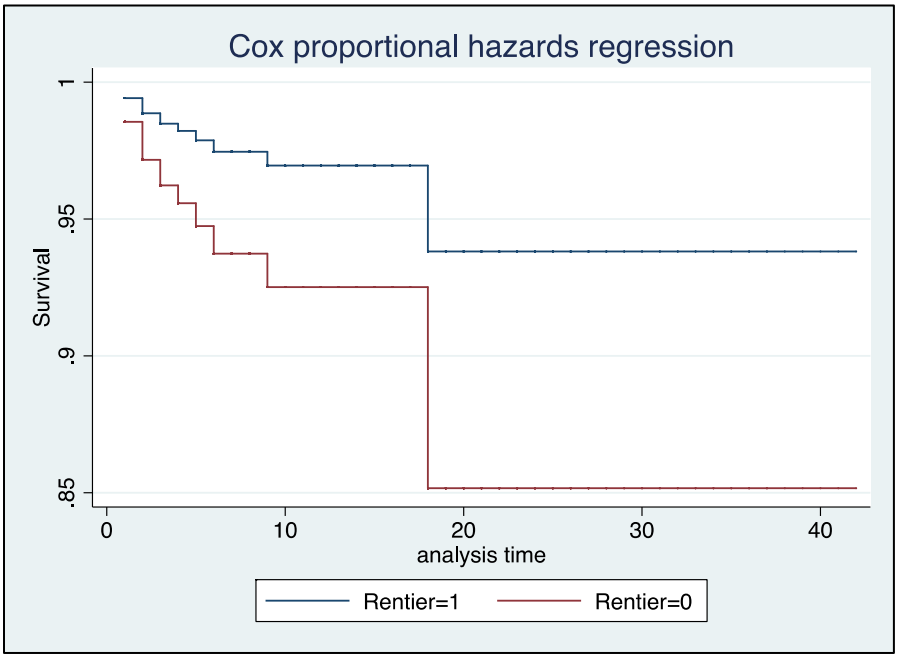
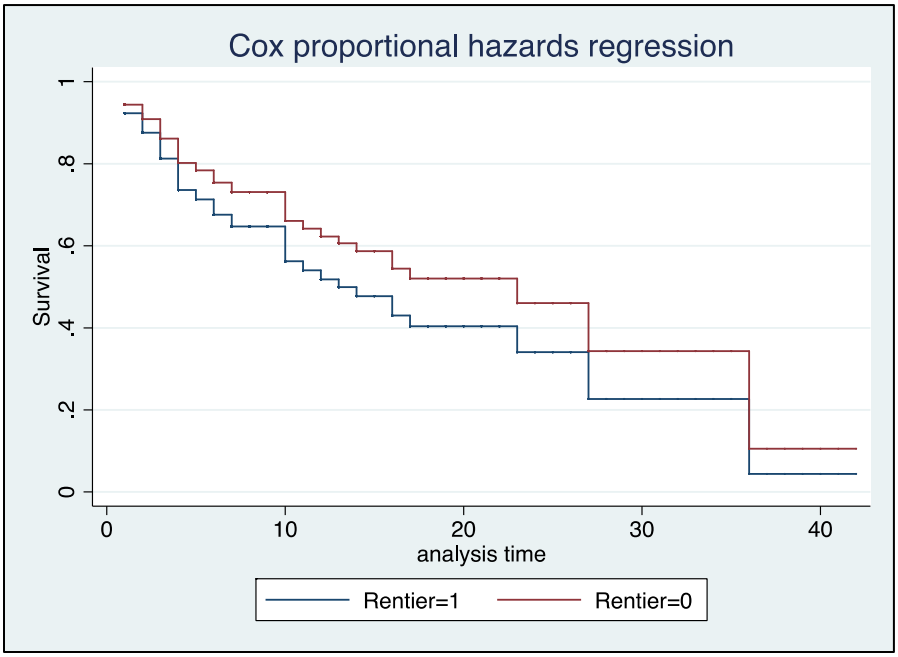


Figure 7.2: Survival until Rebel Victory: Cox Proportional Hazards Regression



In the second hypothesis, I anticipate that negotiated settlements are less likely in rentier states compared to non-rentier states. Figure 7.3 demonstrates, however, that negotiated settlements are more likely in rentier states compared to non-rentier states. This represents a significant departure from my theory. Nevertheless, this departure may be due to the fact that the number of cases that ended with negotiated settlement (both for rentier and nonrentier countries) is very small, which makes it harder to make a fair judgment on the issue. Overall, the above figures present a strong empirical support for Hypothesis 1, but not for Hypothesis 2.

Figure 7.3: Survival until Negotiated Settlement: Cox Proportional Hazards Regression



The performance of the remaining variables reported in Table 2 provides further information about civil war outcomes. Military expenditure is statistically significant for both rebel victory and negotiated settlement outcomes. The results suggest that as the military expenditure increases, the likelihood of rebel victory decreases by around 25%, and negotiated

settlement decreases by around 15%. The results for the ethnic fractionalization variable reveal that conflicts in more ethnically divided societies are more likely to end with government victory and negotiated settlement compared to the ones that are more ethnically homogenous. Moreover, the hazard ratio for the polity score suggests that polity plays an important role for government victory and negotiated settlement, while it has no significant effect on rebel victory. Accordingly, as the polity score increases, the hazard decreases for government victory by around 10%, which means that as the country becomes more democratic, it becomes less likely that conflicts would end with government victory. In regards to negotiated settlements, I observe the opposite; as the polity score increases, the hazard for negotiated settlement also increases, which makes negotiated settlement a more likely outcome. The statistically significant results corresponding to mountainous terrain prove that as the percentage of mountainous terrain increases in a country, the conflict is more likely to end with a government victory, and less likely to end with a negotiated settlement. The hazard ratio for battle death also provides interesting insight into conflict outcomes. The results indicate that as battle death increases, the hazard of civil conflict ending with government victory decreases by around 15%, and the hazard of civil conflict ending with rebel victory increases by 75%. Lastly, and perhaps not surprisingly, the results for rebel capabilities indicate that as rebels get stronger, the likelihood of government victory decreases. One unit increase in rebel capability leads to 30% less chance of a government victory.

Overall, the results lend strong support for the argument that government victory is a more likely outcome in rentier countries compared to non-rentier countries. However, the second hypothesis regarding the likelihood of negotiated settlement in rentier countries is not

supported by the data. In the following section, I conclude by discussing the implications of my research.

7.3 Conclusion

Ample research has suggested that abundant natural resources would be a curse more than a blessing for some countries. The idea of the "paradox of plenty" maintains that if a country does not have well-established institutions at the time of finding natural resources, such a country is more likely to become a rentier state. Furthermore, rentier states have been argued to experience high level of corruption and conflict, low level of democratization, educational underachievement, and economic challenges. Although the scholarly community has produced useful research about the negative outcomes of rentierism, there is scant work focusing on conflict duration, and no work on conflict outcomes in rentier states. This study attempts to add to this body of work by providing a theory about conflict outcomes in rentier states.

In this study, I posit that because of weak institutions and the lack of a taxation system, conflicts in rentier states are more likely to end with a government victory, and less likely to end with a negotiated settlement. I test these arguments with a competing risks model. My analysis clearly confirms that government victory is a more likely outcome in rentier states compared to non-rentier states. However, my results are not significant for my second hypothesis, which suggests that negotiated settlements would be less likely in rentier states. The reason for this contradictory outcome would be that the number of negotiated settlements is already very limited both in rentier and non-rentier states.

Although this paper is an early step in gauging how abundant natural resources affect conflict outcomes, it is a useful contribution to the literature, as it is the first scholarly attempt that statistically proves that government victory is more likely in oil-rich countries compared to oil-poor countries. My findings also point to some avenues for future research. For example, although the second hypothesis is not supported statistically, it would be worth testing the same argument in a larger time-span, which would increase the number of cases, and would provide useful information. Moreover, while this paper has offered possible factors that would prolong the conflict in rentier states, these arguments are not statistically tested in this article, and such research is also missing in the literature. Research that focuses on these factors would be a valuable addition to the literature.

The next section is the concluding chapter of my dissertation. In that chapter, I will summarize the main findings and contributions of my research, and provide several avenues for future research.

CHAPTER 8

CONCLUSION

In the final decades of the twentieth century, a counter-intuitive phenomenon emerged, which suggested that countries without abundant natural resources tended to grow faster compared to the ones with such resources. This phenomenon is called the "paradox of plenty" or the "resource curse." Since then, a multitude of studies has tried to identify the role of natural resources on education, corruption, democratization, repression, and conflict. Although current research on the topic has proven to be helpful and productive, still much progress remains to be made.

My dissertation has addressed some of the lacunae in the literature by providing new concepts and different perspectives to contested questions. In Chapter 2, I focus on citizens' frustrations in oil-rich countries, and suggest that rentier governments are less likely to use meritocracy in their hiring processes compared to non-rentier countries, which increases individuals' grievances. I also suggest that unemployment and underemployment lead to in-migration in oil-rich countries, which would exacerbate the level of grievance.

Chapter 3 tests these theoretical arguments both at national and subnational levels. The cross-national analyses in this chapter reveal that meritocracy is indeed a concern for citizens in rentier countries. As the results suggest, countries with natural resources are less likely to use meritocratic measures in their hiring processes. At subnational level, I utilize survey data in order to investigate the level of grievance in Mexico and Nigeria. By operationalizing individuals' answers to job related questions, I find that individuals' grievances are shaped depending on various factors, job opportunities being one of them.

Chapter 2 and 3 contribute to the literature in several ways. First, they provide both empirical and theoretical clarifications to some concepts that have been discussed in the literature, such as corruption and grievance. These concepts have stayed ambiguous, and deeper understanding has been needed. The theory in Chapter 2, and statistical analysis in Chapter 3 shed light on these issues. Second, these two chapters provide useful information about meritocracy in rentier states. Surprisingly, scholarly community has neglected to investigate the meritocracy-resource nexus. This dissertation is the first scholarly attempt to point out this unexplored relationship.

In Chapters 4 and 5, I provide a comprehensive theory of conflict onset in rentier states, which combines both macro-level and micro-level explanations. Although there exists a large body of scholarship on the topic, there is no solid consensus as to whether and how natural resources affect conflict onset. In Chapter 4, I argue that both hampered economic conditions and high level of repression would constitute the individual-level explanations of conflict. Together, they provide a partial explanation to conflicts in rentier states. I further argue that systemic level explanations and individual level explanations should be considered together in order to understand conflict onset in rentier countries. If one of these factors pass a certain threshold, one should worry that conflict would occur in the event that the other factor passes the threshold too. In light of this, I define which systemic level explanation would be the most salient in resource-rich countries, and I suggest that state capacity in the shape of military power should be the key systemic-level factor that would influence the likelihood of conflict occurrence in rentier states.

The hypotheses developed in Chapter 4 are tested in Chapter 5, and the results help explain why ostensibly divergent findings have emerged across rentier studies in regards to conflict onset. The results in Chapter 5 indicate that civil conflicts in rentier states are influenced by willingness (individual-level) and opportunity (systemic-level) factors together, and that considering only one of these factors would lead to misunderstandings.

Chapter 4 and 5 contribute to the literature in several ways. First and foremost, they prove both theoretically and empirically that resource-rich and resource-poor countries have divergent characteristics, which makes it virtually impossible to explain the occurrence of civil conflicts with similar theories. Instead, scholars should investigate conflict onset in rentier states and non-rentier states separately. Indeed, this has been the practice in the literature, but this is the first scholarly study that makes this distinction explicit. Second, as mentioned earlier, these chapters provide a more comprehensive theory for conflicts in rentier countries by combining both systemic and individual level explanations. Third, they describe what "state capacity" should mean, and why military power should be considered as the important determinant of state capacity in rentier states. This dissertation is the first scholarly attempt to define state capacity in rentier states by utilizing the concepts "weak state syndrome" and "insecurity dilemma". This is important, because the theory in Chapter 5 eliminates a long-lasting confusion in the rentier state literature, which is the role of state capacity on conflict onset. Lastly, these two chapters make the distinction between the actual and potential use of force in rentier states, which is yet another critical contribution to the literature. Previous scholarship has investigated the level of repression and the level of military power in rentier states, however there has been a high level of confusion as to how rentier governments'

actions should be classified and measured. In this dissertation, following Bell et al.'s (2013) approach, I argue that rentier government's military power should be considered as the potential use of power, whereas repression should be considered as the actual use of power. By clarifying the definitions of these concepts, I hope to explain some divergent findings in the literature.

In the next two chapters, Chapters 6 and 7, I explain how and why rentier states act differently compared to non-rentier states during conflict, which leads to different conflict outcomes. I argue that rentier countries have two distinct characteristics, which cause all the perverse effects that have been discussed in the literature; the lack of a taxation system, and weak institutions. I further argue that these two factors also affect the conflict outcome differently in rentier countries. As such, conflicts are more likely to end as a government victory, and less likely to end with a negotiated settlement in rentier states. While Chapter 6 provides the theory for these arguments, Chapter 7 presents my research design and results. By using competing risks approach, I find that conflicts in rentier states are more likely to end with government victory.

These two chapters' contribution to the literature is threefold. First, they provide the first theoretical explanation as to why scholarly community should treat rentier states as a distinct set of states. Given that resource abundance leads to political, social, and economic changes in these countries, it is not surprising to assume that conflicts would also be shaped differently in rentier states compared to non-rentier states, which would lead to different outcomes. I provide a convincing theoretical explanation, which suggests that government victory is more likely while negotiated settlement is less likely in rentier states compared to

non-rentier states. Second, these two chapters contribute to the conflict management literature by suggesting that rentier states should respond differently to negotiations compared to non-rentier states. This is critical as, to my knowledge; this dissertation is the first scholarly work that investigates conflict outcomes in rentier states. Previous research has focused much on conflict onset in rentier countries. However, conflict outcomes have largely been left unnoticed. Lastly, these two chapters use the bargaining framework, and integrate information asymmetries, commitment problems, and issue indivisibilities, which are widely used concepts in the conflict management literature. Integrating these concepts into the rentier literature is a significant contribution.

There are of course other avenues of exploration. First, in Chapter 2 and 3, I try to measure meritocracy with the best available proxy, the Government Effectiveness measure from the World Bank's The Worldwide Governance Indicators (WGI) Project. Although useful, this dataset does not provide a direct measure for meritocracy. Thus, better alternatives to measure meritocracy should be collected. Second, Chapters 4 and 5 provide a comprehensive theory of conflict onset in rentier countries, but they do not explain conflict as a dynamic process. Future research should be devoted to investigating how conflicts evolve in rentier states in a more dynamic fashion. Lastly, while Chapter 6 and 7 point out some factors that would affect the duration of conflict in rentier states, they neither develop these suggestions theoretically, nor test them empirically. Researchers should pay more attention to these factors, as they might provide valuable information in regards to conflict duration in rentier states.

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